

# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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Directly in front of every workman in our factory is a printed placard which reads:

REMEMBER you are striving to build  
the best adding machine in the world

These words are reflected in our product and confirmed by our users. We seriously ask you to look at a new Allen Wales—Authorized Sales and Service in 300 American Cities. Turn to your local telephone directory or send a line to our Home Office.

**ALLEN**  **WALES** **ADDING MACHINE**

ALLEN WALES ADDING MACHINE CORP. 515 Madison Avenue • New York City  
SALES AND SERVICE THROUGHOUT THE UNITED STATES AND IN 40 FOREIGN COUNTRIES

# The Condition of BUSINESS

**FALL OUTLOOK.** The relative stability of industrial activity thus far this year, compared with the sharp recession in the last four months of 1937, is reason to hope that the bottom of the decline has been reached. Business has settled down to a Summer of trying to play ball under difficulties. Expectations of improvement late this year are widely held but are based more on circumstances than on evidence. Caution is the prevailing note and the prospect of free and easy Federal spending has not been helpful or encouraging.

Improvement in business usually comes unannounced at a time when hope has been abandoned. This was the case in the Summer of 1932 and again in 1935, and a reading of contemporary comment indicates that it has been true of previous depressions.

**THE ELECTION.** By late Fall the uncertainties of an election will be out of the way and inventories will be further reduced. These factors may be strong enough to turn the tide, but not unless a great many other problems are clarified between now and November.

**CROSS SECTION INDEX.** The slightly favorable trend in general activity reflected in our cross section index during the first few months has not been continued. In the latest ballot 58 per cent of more than 1,000 business and banking leaders participating in the report say that the trend of their business is down. Thirty-one per cent report no change and 11 per cent say that business is improving. This ratio is not quite so favorable as last month when 51 per cent reported a downward trend, 34 per cent unchanged and 15 per cent up.

Geographically the poll indicates that the West and South are in the best condition. The East comes next and the Great Lakes area makes the least favorable showing. Among the various economic groups the financial division makes the best showing and industry the worst.

**BARGAIN CREDIT.** A borrower's market for credit has existed right from the beginning of this depression, a phenomenon practically without precedent. Rates charged customers of banks are lower than ever before. In the New York area they are currently reported as less than  $2\frac{1}{2}$  per cent, whereas in the depths of the depression in 1932 a comparable rate was  $4\frac{1}{2}$  per cent. The rates in other parts of the country are higher but much less than in 1932.

Coupled with this availability of credit at bargain levels, the banks are making an aggressive campaign through advertising, personal solicitation and other means to stimulate borrowing for commercial purposes and building construction. Bank advertising today is largely devoted to one of two purposes, public education or new business promotion. The competition between banks for sound loans has never been keener because the soundest borrowers are those who hesitate to expand or make new commitments under conditions prevailing at present.

**PUMP TROUBLE.** The recent trend in volume of loans and investments provides an interesting sidelight on pump priming. In 1933 the total stood roughly at \$40,000,000,000. It increased steadily during 1934, 1935, 1936 and 1937, reaching a peak of slightly less than \$50,000,000,000 as of June 30, 1937. The significant fact is that the part of this figure represented by productive loans remained practically stationary throughout this period. The increase was almost entirely a reflection of pump priming that took place in the last few years, resulting in a vast increase in the amount of

credit available for use without stimulating any desire on the part of borrowers to use the credit. It is reasonable to assume that more pump priming will simply produce more of the same results.

**BORROWERS WAIT.** Among the many factors keeping borrowers from using the available credit supply, chief stress has been placed on lack of confidence, on the fact that business men are anxious about the future and uncertain about Governmental policies. While this mental hazard is fundamental, the serious problems faced in all major fields—transportation, manufacturing, power and finance—are more than ample to explain why credit at bargain prices continues to be a drug on the market.

**RAILROADS.** The predicament of the railways is a particularly discouraging sample of the results of years of strict regulation by the Government. Many authorities are of the opinion that permanent recovery is impossible until the country's chief transportation agency has been restored to financial health. This can only be achieved by resolute action to restore the railroads to their traditional place as the chief consumer of heavy goods.

**UTILITIES.** The utilities are in much the same position, although their problem is more a matter of restoring confidence and removing the threat of Governmental competition. In any case, the fall in share prices of these principal industries has been reflected in all security prices and exercises a depressing influence on the general business situation.

**STEEL AND AUTOMOBILES.** As far as steel is a barometer of the industrial outlook, it will probably be late Summer or Fall before any real improvement can be expected. The Summer months in steel are usually dull. Production in automobiles in recent weeks has been running at approximately 40 per cent of a year ago, with a tendency toward a further decrease. This, of course, is reflected in the steel industry and in the operations of accessory and tire manufacturers, and producers of various materials.

When the sales of automobiles began to slow up rapidly last year it was due only in part to a backwash of unsold used cars, or to a curtailment of buying power. The main reason might well have been that designs had remained almost the same for several years. The stimulation of demand induced by the revolutionary streamlining of 1933 had worn itself out and even today a car purchased in 1933 looks just about as up-to-date in design as a car purchased last week. One of the greatest incentives to new car purchasing ceased to function.

**CAPITAL.** There are reasons to believe that the low point of capital financing was reached in the early months of this year. While there are few actual offerings at present of nationwide importance, the capital market shows signs of improvement.

The increase in excess reserves resulting from the reduction in reserve requirements and the weekly release of sterilized gold may help to stimulate a renewal of corporate refunding.

**ABROAD.** Foreign trade is showing the effects of declining activity in the principal countries overseas and the situation continues obscure. Unfriendliness and suspicion still seem to be the fashion in international relations even among those countries joining together in tenuous alliances for one purpose or another.

WILLIAM R. KUHN





## They carry victory in their knapsacks

**I**N WAR, part of a soldier's fighting equipment must be good to eat.

Each man carries emergency rations—something to fall back on when regular supplies and sources fail. When emergencies arise, this reserve may play a part of such importance that on it hangs life or death, victory or defeat.

There is a good financial parallel in this. We believe that *every* man should have reserves to see him through emergencies. And we believe that such reserves are strongest when they consist of 1.—an account in a good bank; 2.—life insurance; 3.—*Living Protection*.

Living Protection is nothing more—nor less—than a simple, safe, practical plan by which people can accumulate considerable sums of money. It assists them to acquire these larger sums by encouraging them to put aside small amounts regularly and persistently.

So well has this plan worked that Investors Syndicate has disbursed over \$70,000,000 to its contract holders in the last ten years. And in the entire 44 years of its existence, Investors Syndicate has never failed to meet every obligation when due, or to increase its resources each year through good times and trying times alike.

**INVESTORS SYNDICATE**  
Established 1894

**Living Protection...everyman's road  
to financial security**

*Investors Syndicate agency offices  
in 200 leading cities, including:*

New York† • New Haven • Pittsburgh • Cleveland  
Chicago • Birmingham • Dallas • Detroit  
St. Louis • Kansas City • Seattle • San Francisco  
Toronto\* • Montreal\* • Vancouver\*

*Home Office: Minneapolis, Minn.*

† Office Investors Syndicate Title and Guaranty Co.

\* Office Investors Syndicate, Ltd., Canada

*These companies are affiliates of Investors Syndicate*



# WORDS and MUSIC

IT is intended here to offer a round-table forum for the study and discussion of bank experiences in the use of radio, film, house organs and other media of public education. By way of presenting successful case histories, there will be summarized the opinions of experienced users of such media. There will be an opportunity for the interchange of views which should be helpful to those who contemplate adopting new media to their problems.

Each month more banks are attracted to unfamiliar media in their public relations programs. Very frequently ideas and plans are adopted which have been previously tested in other sections and found wanting. Occasionally this page may be the means of forestalling a second mistake. It is understood, of course, that there can be no criterion for any media on any program. Too many factors determine success or failure. Yet there are established guideposts and these, at least, may be more clearly defined as they come to our attention.

The old saw that experimentation makes for progress holds true with radio, films and other media, for they are comparatively new to banking. In fact, industry and business have barely explored their limitless possibilities. There are in every field a chosen few who may be given over to pioneering, but by and large banking has a tremendous task in public education which cannot risk failure on the score of budgets.

## "The March of Trade"

THE flexibility of the film medium—motion and slide—has been demonstrated by the wide uses for which it is employed in business and industry. Film is the only medium which permits the presentation of a complete, interesting and illuminating series of facts before large groups of people. It is only logical for banks to turn to the use of films in achieving certain definite objectives which such a presentation makes possible. Films have portrayed an educational story on steel, canning, agriculture—and they can as easily educate the public to the vital part the banks play locally and nationally.

The National City Bank of New York was attracted to this field in 1936, with the result that steps were taken to visualize the world-wide scope of its organization, the variety of services it performs in the interest of foreign and domestic trade, the range of its banking activities, and the intricacies of its operation in this country and overseas.

The bank's first step in developing the film was to ask each of 71 foreign office managers to assign a member of his local staff to take pictures of the banking quarters, personnel, plants, offices and products of important industrial concerns and whatever local color shots were deemed appropriate. Altogether some 80,000 feet of 16 mm. film was used.

Subsequently, the bank found that this beginning was impractical, as it was necessary to blow the 16 mm. film up

to 35 mm. to apply the sound track and then reduce it again to the original 16 mm. size, losing 10 per cent in quality in both actions. Fortunately, sufficient usable scenes were found upon which to base production.

When the foreign material had been cut and edited, a professionally made New York sequence of film was woven through it. A sound track with off-screen commentary and appropriate musical background was added and the film, *The March of Trade*, was ready for preview.

The final production gives a quick survey of world commerce, with brief glimpses of the major centers and industries of Europe, Asia and Latin America, and a graphic indication of the important rôle banking assumes in foreign and domestic trade.

The film opens with a talk by James H. Perkins, chairman of the board, who introduces the theme. Then there is an impressive turning globe, around which, on a saturn-like ring, move industrial products. This is followed by a parade of workers, typifying foreign trade, shipping, transportation and processing, while the commentator emphasizes that behind all this is banking service. New York is taken as the point of departure, with the camera high-lighting the branch system in greater New York and, more specifically, the facilities at head office that form the nerve center of the organization. Moving to Europe, the camera swings rapidly through London and other branches with a dramatic visualization of foreign commerce in each center.

Since the first release the demand for this picture has been widespread and insistent. Showings have been held before many special groups, such as clubs, conventions, schools and colleges, largely by and under the auspices of correspondent banks here and abroad. The reception of the film has been warm and enthusiastic, and thousands of laudatory comments have been addressed to the bank by persons in many lines of activity.

According to the National City experience, several points should be given careful attention in doing a promotional job of this type: First, the picture should be completely planned on paper before actual scene-shooting starts; second, the job should be handled by a professional motion picture firm; and third, a reasonable budget must be set up for the job.

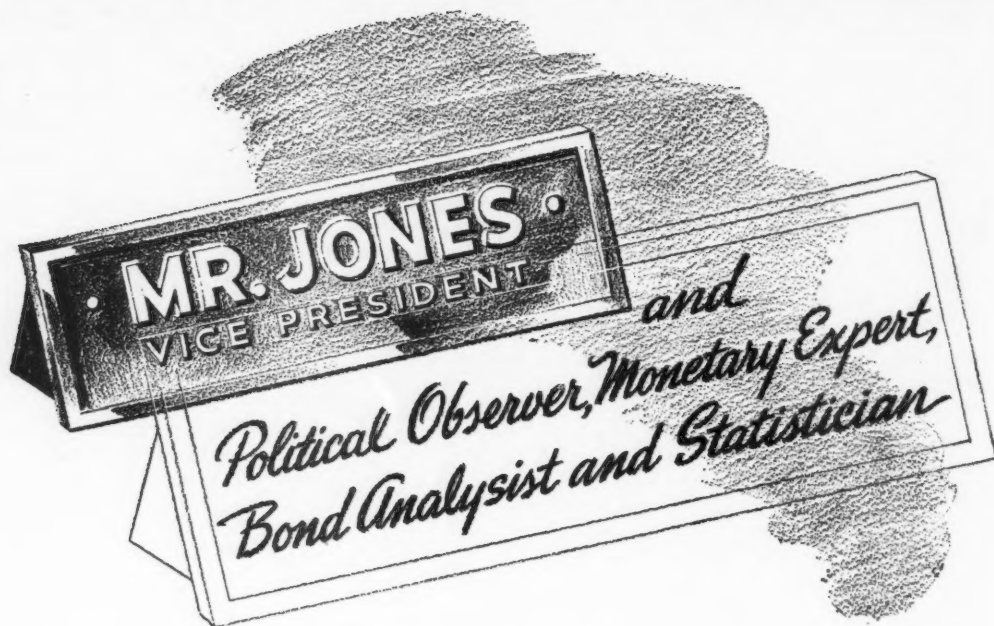
## "The Way to Wealth"

EIGHT years ago the Savings Bank of Utica (New York) conducted several test campaigns to determine a plan of education that would last over a period of time and hold the attention of the public. An external house organ called *The Way to Wealth* resulted from the study.

The first quarterly edition contained 16 pages, 8" x 11", and mailings were directed to depositors only. In order to eliminate duplication a mailing list was developed from a study of bank records tracing back, in some instances, 100 years. Transcriptions were made from sources available in various departments and this information was turned over to the new business office for colation. With the aid of

(CONTINUED ON PAGE 5)

Volume XXX, No. 12. Published monthly by the American Bankers Association at 22 East 40th St., New York City. Harold Stonier, Publisher; William R. Kuhns, Editor. Assistant Editors, William P. Bogie and John L. Cooley; L. E. Lucelle, Circulation Manager. Field representatives, Aiden B. Baxter, Advertising Manager, Prentiss Jackson, Jr., 22 E. 40th St., New York City; Robert W. Knebone, 230 N. Michigan Ave., Chicago, Ill.; R. J. Birch & Co., San Francisco, Cal.; Stanley Ikard, Los Angeles, Cal. Washington office, Washington Building, 15th St. and Pennsylvania Ave. Subscriptions: \$3 yearly; Canada, \$3.36; foreign, \$3.72; single copies, 25 cents. Entered as second-class matter May 5, 1909, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Additional entry at Concord, N. H. Copyright 1938 by American Bankers Association. With the exception of official Association announcements, the American Bankers Association disclaims responsibility for opinions expressed and statements made in articles published in this Journal.



## Many-Man-Sized Job

Merely to keep abreast of all that is new in just one phase of investing today is a man-sized job. To penetrate the maze of investment facts and figures surrounding all the issues in the average bank's portfolio—to interpret each day's news correctly in terms of its investment significance—to plan soundly for a highly uncertain future is beyond the capacity of any one individual, even though he devote his whole working day to it. To expect one officer to manage your bank's investments *as a part-time job* is to ask the impossible.

Successful management of a bank's bond investments demands the facilities, man power and organized knowledge of a group of investment specialists to keep on top of every situation and judge its effect on the value of individual

securities. That is the job Moody's Bank Supervisory Service is doing for many banks today.

This service will bring to your bank a staff of competent, mature specialists scanning the day-to-day investment horizon for investment opportunities, continuously pointing out investment pitfalls—*plus a personal counsellor* to interpret their findings to an investment plan in terms of your bank's needs for income, liquidity, diversification.

Moody's Supervisory Service is not an emergency measure—not even a one-or-two year measure. It is a constant necessity which repays its modest fee many times over. May we explain to you or your directors how this service can help your bank? Your inquiry involves no obligation.

## MOODY'S INVESTORS SERVICE

JOHN MOODY, *President*

65 Broadway, New York City

105 West Adams Street, Chicago

## WORDS and MUSIC

(CONTINUED FROM PAGE 3)

directories, local post offices, etc., each customer's address was traced and verified. This exhaustive research resulted in a central information file for the bank.

Magazine content is based on the broadest possible appeal. There is just enough selling mixed with interesting fiction, history, home subjects, editorials and humor. Special departments are established to carry continuity through the year.

Since its inception the magazine has received wide acceptance and now assumes the character of a community project. Current editions run 24 pages, 7 $\frac{1}{4}$ " x 9".

Originally the covers were printed in one color without illustration. Later a series of full color illustrations of historic buildings were used, and reprints were struck off for a souvenir portfolio which was distributed to a selected list. Present covers are printed in two colors and the resulting economy allows a second color for all text pages, and some to spare. All stories, articles and illustrations are purchased locally. This policy and the fact that the entire magazine is produced locally adds just so much more interest and value to its publication.

To assure reader interest, a questionnaire and business reply card is enclosed with each January issue. Readers are asked to comment on features, in the order of their preference, and to suggest new subjects and ideas for the new year. It is significant that tabulations rank history first, with information on bank personnel and services a close second.

Appropriations for each issue, including printing, art, engravings and copy are set at \$2,050. Additional funds provide for mailing envelopes and postage. The magazine of 24 pages is classed as a book under postal regulations and is mailed under Section 562 P.L. & R. for 8 cents per pound. Changes of address are received from the local post office on Form 3547 and this service keeps the mailing list up-to-date. The new business department is fully equipped to handle all mailing details on the quarterly issue of 30,000 copies.

According to the bank, this house organ has accomplished four definite objectives: It has brought the bank into closer contact with its depositors and the community. It has been educational as well as entertaining. It has encouraged local talent. And, it has provided work for local people and business firms.

## Selling Detroit to Detroiters

THOUSANDS of Detroiters are familiar with that line, used as the signature for the "Did You Know" or "Little Known Facts About Detroit" radio program sponsored by the Industrial Morris Plan Bank.

Says R. M. Meisel, advertising manager: "Our bank was among the first to recognize radio as an important advertising medium. We ran the entire gamut of program possibilities from spot announcements to dramatic sketches. While we had been using these media, we were not quite satisfied—if, for no other reason than that our program had the same character as other advertisers. Our problem was to find a new type of show.

"After considerable exchange of ideas we decided to write a broadcast which had to do with Detroit's industrial, civic and educational institutions—always from the human interest standpoint. In the development of this program several aims were observed:

"1. In bringing Detroit to Detroiters we were continuing the bank's policy of service.

"2. We were convinced that a citizen's interest in his city is in direct proportion to his knowledge of that city.

"3. We were at last pioneering a new program—one which couldn't be duplicated at every flick of the dial.

"The 'Little Known Facts' program was given a daily trial over a 13-week period. Telephone calls, telegrams and letters poured in, commenting on the program and requesting copies of the broadcast. One day immediately after a talk on *Detroit the City Dynamic* we suggested that listeners might obtain copies of the broadcast by phoning the bank. Eight special operators received 160 calls in less than two hours. Librarians, school teachers, students, business men, housewives and laborers, many of whom called at the bank personally, asked us to continue the program. We continued and the second series was even more successful.

"Our commentator held daily interviews with heads of such large concerns as Burroughs Adding Machine, U. S. Rubber, Parke Davis and various automotive plants. We discussed such cultural and civic projects as the Detroit zoo, library, art institute, symphony orchestra, etc.

"The complete series was bound in printed form and sent to those who had made written requests. Demand for copies quickly exhausted a third printing."



NO. 3 OF A SERIES

*De Luxe presents these talks as a contribution to a subject of vital interest. We welcome questions, ideas and comments pertaining to the small account movement.*

USUALLY, when a large group of people start thinking along the same line there is some sound reason for it. Thus, now that we see so much evidence of bankers thinking in terms of the small account market, we can, with safety, assume that there must be strong underlying forces directing their thoughts.

As a matter of fact, this is absolutely the case. The change that is taking place in bank merchandising is identically the same as a swing from a "seller's" to a "buyer's" market. In other words, instead of experiencing the continuation of a ready buying market, it becomes necessary to go out and sell.

Industry had just such an experience from 1919 to 1921. During the early part of that period a seller had to beg and plead with his manufacturing sources for materials so that he might supply his customers who were eagerly waiting to be served. But when the tide turned the salesman who "burned things up" the previous year had to fight for even the smallest order. A popular slogan of that day was "1921 will Reward Fighters". Remember?

Well, the same swing is now taking place in banking. For many years funds were vigorously solicited from the mass market—and many were the prizes offered for even the smallest account—why? Simply because there was a ready, eager, hungry buying group to which the use of these funds could be sold at a profit.

The buying market has now shrunk. Perhaps it will return next year. Perhaps it will not return for ten years. Perhaps it will never come back. We don't know. But we do know that in the meantime the mass market has increased by some twenty-five million people and a large percentage has never known the convenience of a checking account.

**De Luxe**  
**CHECK PRINTERS INC.,**  
*Lithographers and Printers*  
 Plants at  
 CHICAGO CLEVELAND KANSAS CITY  
 NEW YORK ST. PAUL



# JUST A MINUTE

## Banking Bibliographies

To the Editor:

In the December issue of *BANKING*, on page 3, under the heading of new books, you make reference to *The Bank Library; Selected List of Publications*, and in the March issue, on page 58, under banking education, it was stated the New York State Bankers Association has prepared a bibliography of reading matter, pertaining to banking. Will you please advise us to whom we should write in order to obtain a copy of each of these publications?

LESTER FRY  
Cashier  
The First National Bank  
Oil City, Pennsylvania

*The Bank Library; a Selected List of Publications* can be secured from The Financial Group, Special Libraries Association, 345 Hudson Street, New York City. The price is 50 cents. The bibliography can be obtained by writing to Clifford F. Post, Secretary, New York State Bankers Association, 33 Liberty Street, New York City.

## Personal Loan Author

To the Editor:

In preparation for a thesis required in connection with my work at the Graduate School of Banking, I am gathering statistics regarding personal loans.

In the April issue of *BANKING* under "Methods and Operations" there is an article, "Clarifying Costs", signed by H. H. I am very much interested in securing the details of the information set forth in this article.

Would you rather give me the name of the writer so that I may contact him directly or pass this request along to him with the assurance that I shall be grateful for his help and your cooperation.

FRED W. STYLER, JR.  
Union County Trust Company  
Elizabeth, New Jersey

The writer of the article was Howard W. Haines, vice-president, Quindaro State Bank, Kansas City, Kansas.

## More Rain

To the Editor:

On page 74 of *BANKING* for April you cited the Bank of San Rafael, California, as having published an annual rain record over a long period of years.

I enclose our 1937 edition of a rainfall chart of Los Angeles County, California. We have been publishing such a record for nearly 40 years.

H. V. ADAMS  
Advertising Department  
Security-First National Bank  
Los Angeles, California

The reply from John J. McCann, Jr., advertising manager, National Savings Bank, Albany, New York, who compiles "Some Practical Ideas" for *BANKING*:

Mighty glad to have you check up on us on the rainfall chart.

Over East we have poor rain seasons. In fact, it is nothing to see folks walk around with their tongues hanging out. We freeze in Winter, roast in Summer and the occasional rains just top it all off with a bit of parboiling. We envy you in the West. Hear you have nothing but continual sunshine, cool ocean blown nights and Hollywood stars. Naturally when we learn it has actually rained for 40 or 67 years it is a good news item.

Everyone we meet from California is a member of the Chamber of Commerce—so you see where we get our ideas.

## Trust Indentures

WASHINGTON—Since the current session of Congress has been taken up with long drawn out contests over matters of political importance there has been little prospect of the passage of Senator Barkley's bill to regulate trust indentures. Whatever present chance there might have been for the measure has probably been destroyed by the formal opposition voiced by the Chamber of Commerce of the United States.

## Profitable Library

To the Editor:

You might be interested in a curious thing that happened several years ago when I was a bank teller. One morning a stranger came to my window at the bank, carrying under his arm a bundle wrapped in newspaper. He handed it in under the wicket.

The moment the wrapper was removed the whole atmosphere was permeated with the strange odor of old, musty papers. Anyone who has ever opened a very old book would recognize this smell instantly.

The contents of this strange bundle proved to be very old currency—the type in circulation in the early Nineties,

much larger than bills we see nowadays. The portraits on these old bills were of the leaders of Civil War days.

It took some time to sort them out and get the count, for there were \$1, \$2, \$5, \$10 and \$20 bills, all turned yellow and brown with age. The total was nearly \$10,000.

I found that these bills were accumulated by an old doctor who carried on his practice in a nearby town. Years after his death his son was showing the old doctor's library of medical books to a prospective buyer. Turning the leaves of one of the old volumes at random, what was his surprise to uncover an old bill which had been resting undisturbed between the leaves all those years. A systematic search of the entire library unearthed this unusual collection.

C. O. F. THOMPSON  
Providence, R. I.

## Personal Loan Profits

To the Editor:

Would you please tell me whether there are figures available giving the results from a profit standpoint of banks operating personal loan departments in small towns of less than 50,000 population? If you know of any such figures I will greatly appreciate learning where I can get them.

R. W. SMITH, Treasurer  
Community Finance Co.  
Niles, Michigan

## Flood Control

WASHINGTON—The Government's flood control program for the coming fiscal year is to cost approximately \$375,000,000—a compromise between the \$300,000,000 suggested by the President and the \$460,000,000 favored by the congressional bloc back of the various water control enterprises.

## Discount Conference

To the Editor:

Knowing your interest in the Bankers Discount Conference of Virginia, the thought occurred to me that you might like to know of the latest developments.

Organized last Fall at the suggestion of M. E. Bristow, State Commissioner of Banking, the Conference is composed of banks and other financial institutions in Virginia which discount instalment paper. Although membership is not compulsory, the State Banking Department has urged all of its supervised institutions to join, and in its regular audits of the state banks it is guided by the standards of sound practice adopted by the conference as to down payments and number of months to run.

Copies of the conference rules and regulations go out to all banks, including non-members. As a result of the presentation of a solid front

(CONTINUED ON PAGE 8)



BELL SYNDICATE © FONTAINE FOX

"Unforeseen events . . .  
*need not* so often change and shape the course of man's affairs"



## THEY GOT THE "G-MAN"

He won't come home for supper tonight. There will be no solemn explaining to dad that G-men haven't time to scrub dirty hands...no imaginative tale of "desprit" criminals run to earth...no drowsy admission that perhaps an ace sleuth can submit to a mother's good-night kiss without loss of dignity.

Not tonight...nor for all the nights to come...because today a heedless driver didn't see a little boy on his tricycle.

The Maryland has been very near to tragedies like this. Close to the automobile industry from the first, it realized that as the speed of travel increased, there would come an increase in traffic fatalities, especially among children. Faced

with this problem, The Maryland early became a pioneer leader in the highway safety movement.

In this 40th anniversary year of The Maryland, we feel that the effort has been worthwhile, that hundreds of young lives have been saved. The educational work will continue...posters, pamphlets, lecturers will carry the safety message to motorists, into the schools and the home. You can do *your* part. When at the wheel, remember that children are impulsive, do unpredictable things in the excitement of play, at any moment may dart in front of *your* car. *Drive carefully.*

# THE MARYLAND

MARYLAND CASUALTY COMPANY · BALTIMORE

## FEDERAL INTERMEDIATE ★ CREDIT BANK ★

### CONSOLIDATED DEBENTURES

Exempt from Federal, State, Municipal  
and Local Taxes

Authorized by an Act of Congress approved  
March 4, 1923 As Amended

Consolidated debentures are the joint and several obligation of the twelve Federal Intermediate Credit Banks.

Eligible up to six months' maturity for purchase by the Federal Reserve Banks and are acceptable as collateral security for fifteen day loans to member banks of the Federal Reserve System.

Consolidated debentures are legal for investment by savings banks in the State of New York.

Eligible as security for all fiduciary, trust, and public funds held under the authority or control of officers of the United States. These debentures have been approved as security for deposits of postal savings funds.

★ Further information and circulars can be obtained from

### CHARLES R. DUNN

FISCAL AGENT

For the Federal Intermediate Credit Banks  
31 Nassau Street • New York City



**B**anking executives stop at the Hotel Washington BECAUSE...

- The U. S. Treasury is just across the street
- The Federal Deposit Insurance Corporation is one block from our door
- The Federal Land Bank is only 1½ blocks distant
- The New Federal Reserve Board is within easy walking distance

## HOTEL WASHINGTON

15th Street & Pennsylvania Avenue  
Opposite the United States Treasury and  
Dept. of Commerce, overlooking  
the White House and Parks.

**WASHINGTON, D. C.**

FLOYD E. RUSH, Manager

(CONTINUED FROM PAGE 6)

by the banks, it was generally conceded at the first annual meeting of the conference in Richmond on April 20 that the standards set up (effective as of last December 15) had resulted in higher down payments and shorter maturities all along the line, to the benefit of both the banks and the dealers. Even those banks that had been most radical in their instalment paper terms have "seen the light" and are getting their dealers into line.

Requests for changes in terms are to be referred to the conference executive committee for action and notification of all banks. Judging from the happy results already achieved, and with the continued cooperation of the state banking department pledged, there seems every ground to look forward to an increasingly larger usefulness of this voluntary association of Virginia bankers.

G. M. UNDERHILL  
Assistant Cashier  
The Morris Plan Bank of Virginia  
Richmond, Virginia

### Borrowing Costs

WASHINGTON—Treasury policy is bringing about a one-way market for Federal securities. By paying off half the current weekly bill maturities of upward of \$100,000,000 through withdrawals from the gold sterilization fund, the Treasury is gradually lifting the volume of unemployed bank funds and, at the same time, reducing the demand for them. As a result, the mid-month issue of \$50,000,000 of 90-day bills cost the Government about \$4,500. Two weeks previously the cost was \$18,500; a year previously, \$106,000.

### Personal Loan Booklets

To the Editor:

I have followed with much interest the series of articles relative to instalment loans appearing in *BANKING* during the past six months.

I am particularly anxious to receive a copy of the report, *Personal Loan Department Ex-*

*perience and Practice*, when it becomes available.

In the meantime I would appreciate receiving, if obtainable, a list of A.B.A. publications that are now available on the above subject.

EDWARD BRODSKY  
182 East 93rd Street  
New York, N. Y.

The Savings Division of the American Bankers Association has published a booklet entitled *The Personal Loan Department of the National City Bank of New York*. The only other publication of the American Bankers Association on this subject is Study No. 17 of the Bank Management Commission, entitled *Personal Income Loan Department Installation and Operation*. Its price is 25 cents.

The report, *Personal Loan Department Experience and Practice*, to which Mr. Brodsky refers, is now available at 25 cents.

### Australian Issue

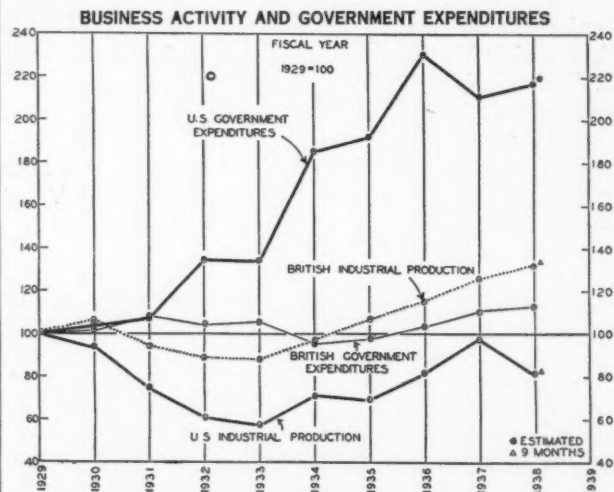
British investors took almost exactly one-third of the offering of a \$35,000,000 Australian 3¾ per cent 14-18-year loan offered the first week in May at 99. Underwriters were saddled with 66 per cent of the offering.

### Credit Bureau

Further comment on the credit bureau plan, described in Mr. Hill's article on page 31, is contained in this letter which the author sent to Claude L. Stout, executive vice-president of the Poudre Valley National Bank, Fort Collins, Colorado:

Dear Mr. Stout:

Enclosed you will find a brief summary and fairly complete outline of the organization of our Fort Collins Credit Bureau as planned by the Retail Merchants Council of Fort Collins.



The chart at the left is reproduced from the New England Letter of the First National Bank of Boston



So many requests have come in, not only from the state but from outside localities, that we felt a brief history should be prepared. This outline gives a general idea of the work up to the present time.

Every individual who has watched this movement develop is fully convinced of the soundness and practicability of the plan. So far it has far exceeded the expectations of the committee who set the plan in motion. We are certain that future results will confirm the soundness and stability of this plan of organization.

W. S. HILL, *President*  
Fort Collins Retail Merchants Council  
Fort Collins, Colorado

## Railroad Improvement

To the Editor:

While all of us are aware of the important rôle which the railroads have played in the development of our nation, all too few of us are cognizant of the strides which the railroads have made in improving their equipment in recent years.

The interesting article by Mr. Bert H. White, entitled "Our Infant Railroad Industry", brings this forcibly to our attention and clearly indicates the amount of time and money which the railroads expend in research to improve travel and shipping facilities. Certainly the metal and air-conditioned car of today is a far cry from the old plush seated wooden coach of a generation ago.

WILLIAM F. DOYLE  
*Vice-President*  
Irving Trust Company  
New York, N. Y.

Mr. White's article appeared in May BANKING.

## Travel Time

This is the time when bank



travel departments have their busy season.

## Higher Taxes

The Edison Electric Institute reports that in 1937 the private electric light and power companies of the country paid \$330,000,000 in local, state and Federal taxes, an increase of \$44,000,000 or 15 per cent over 1936. Their gross operating revenues amounted to \$2,180,787,600, an increase of 6.7 per cent. Their net income increased 1.5 per cent.

June 1938

# DIRECT



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**Mule Ear Currency**

Guy Emerson, vice-president of the Bankers Trust Company, New York City, sent to **BANKING** an item from the *Journal of the American Military History Foundation*, Vol. II, No. I, Spring 1938. The *Journal* comments that this story, "like most western reminiscences, probably has some truth as well as fiction. It is taken from a manuscript journal of anecdotes narrated some years ago by John Willis. Willis, who at one time was a guide for Theodore Roosevelt, spent a versatile youth. In the mid-seventies he had given up buffalo hunting and cow punching for mule skinning."

The story follows:

I hired out at Dodge City under government contract to drive six mules from the fort, loaded with baking powder, green coffee in sacks, bacon, cartridges and other stuff for Wichita. There were five six-mule teams in the outfit and twenty soldiers as an escort. Before we got there the wagon boss sold the stuff and pocketed the profits, which rather upset calculations. Some teams met us before we reached Wichita and got the cargo and took it into Colorado. So there was nothing to haul to Wichita. We all decided to take our teams to Wichita and sell them to a saloon keeper we

knew. We sold the thirty mules for \$3,000 and divided the money among us teamsters. The wagon boss couldn't do anything about it as we had him foul.

Selling other people's mules in those days was common practice, I guess half of old Major's mules were stolen, but I don't believe he stole them. I guess he paid good money for them. Why, mule stealing was so common that they used to hitch mules to a wagon wheel with thick steel bands.

When we left the fort the quartermaster told us something unusual; he said if a mule died to bring back his ears. He said this would prove that we had not sold the mule. So, when we went to driving teams for the government, if we found a dead mule we cut off his ears and sold one of the government mules we were driving for \$100 or more in U. S. coin.

These ears would keep almost any length of time as they were salted. A man who ran across a pair of mule's ears would as soon think of passing 'em as he would of lighting his cigar with a hundred dollar bill. We put the ears in the cantina or saddle pockets as you couldn't pack 'em like money in a wallet or purse.

The price of a pair of mule ears was fixed all over the Southwest at \$100 per. The mule was worth nearer \$200, it's true, but it was considerable trouble cashing in the ears for the full value of a dead mule. Anywhere in the saloons the man who ran the game would give \$100 in checks for the ears.

The American Military History Foundation is in Washington, D. C.

**CROSSWORD**  
**PUZZLE**

By P. J. MARTIN  
Royal Bank of Canada, Montreal

ACROSS—

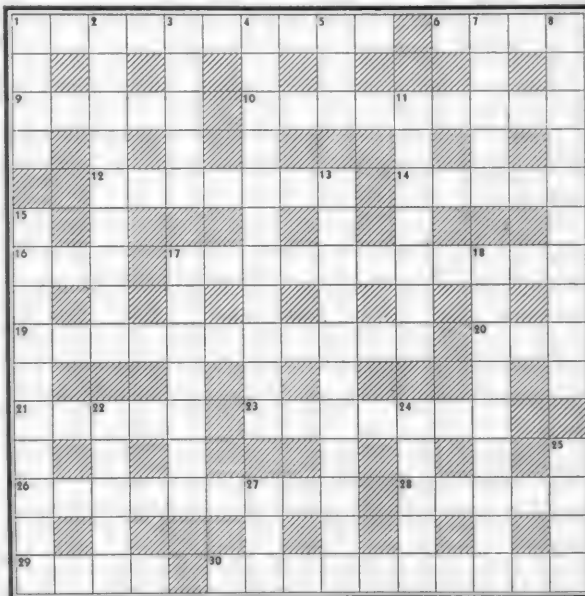
1. Security
6. Grant temporary use of
9. Sweet substance
10. Possession
12. Coined money (plural)
14. Article for carrying money
16. Initials of banking group

17. Popular feature of county fairs (2 words)
19. Paying attention
20. Prefix meaning new
21. Pertaining to ships
23. Rate in Japanese currency (2 words)
26. A will

28. Valuation
29. Observe
30. Material well-being

DOWN—

1. Money paid down
2. To make a law
3. To be of one mind
4. With feeling
5. Girl's name
7. The upper air
8. A hollow place
11. Statements
13. What a note-shaver does (2 words)
15. A national capital
17. Plant used as forage
18. Small Italian coins
22. Come to see
24. Plentiful
25. Depend
27. Organ of hearing



The answer will be found on page 78.

**BANKING**



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A client of yours — or your own firm — becoming a policyholder in American Mutual, would be entering a group that is carefully selected for safety-mindedness.

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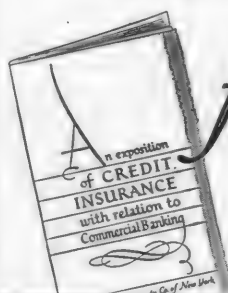
A Manufacturer or Jobber whose accounts are covered by Credit Insurance offers you *adequate security* for your loan. His policy protects your bank against unpredictable disasters; you have the privilege of providing that any indemnity for losses be paid to your institution.

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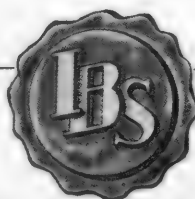
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Analyses of commercial loans from the banker's standpoint, facts, figures, and case histories of credit losses are features of our new book: "An Exposition of Credit Insurance with Relation to Commercial Banking." Write for a free copy.

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## Endurance Test

To the Editor:

The undersigned is the branch manager of Investors Syndicate in Omaha, Nebraska.

We receive a copy of your official organ, **BANKING**, each month. However, we have used our copy so extensively it is practically worn out and it is so valuable to us we need another copy in our agency of the November 1937 **BANKING**.

Will you please forward a copy of the November 1937 issue, C. O. D.?

M. F. MULVANEY  
Agency Manager  
Investors Syndicate  
Omaha, Nebraska

## Carnival Coming

To the Editor:

In the April issue of **BANKING** I was pleased to see a picture story on the ice carnival Chicago Chapter sponsored at the Chicago Arena on March 5. I want to express to the editors of **BANKING** our appreciation of the way they presented pictorially what really was a very fine party.

We had a capacity crowd of around 2,500. No doubt, because of the enthusiasm with which the carnival was received, we shall want to repeat it again next year.

DONALD D. MAGERS, President  
Chicago Chapter  
American Institute of Banking

A person in France could have bought a kilogram of gold before the war for 3,445 francs and sold it during the past month for 40,118 francs.

## Customer Viewpoint

To the Editor:

The March 1938 issue of **BANKING** discusses the subject of service charges under the title, "A Hodge-Podge of Cost Analysis."

We were very much interested in the article and fully agree with Mr. Woolley's conclusion that some uniform method of analysis of accounts should be arrived at among banks to determine a fair and reasonable charge for service rendered.

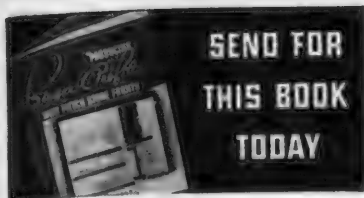
A. C. KLEINSCHMIDT  
Assistant Treasurer  
Cities Service Oil Company  
Bartlesville, Oklahoma

## Trade Balance

In the first quarter of this year the country had a net commodity export balance of \$320,737,000. In the same period last year commodity imports exceeded exports by \$113,271,000.

## Maturities

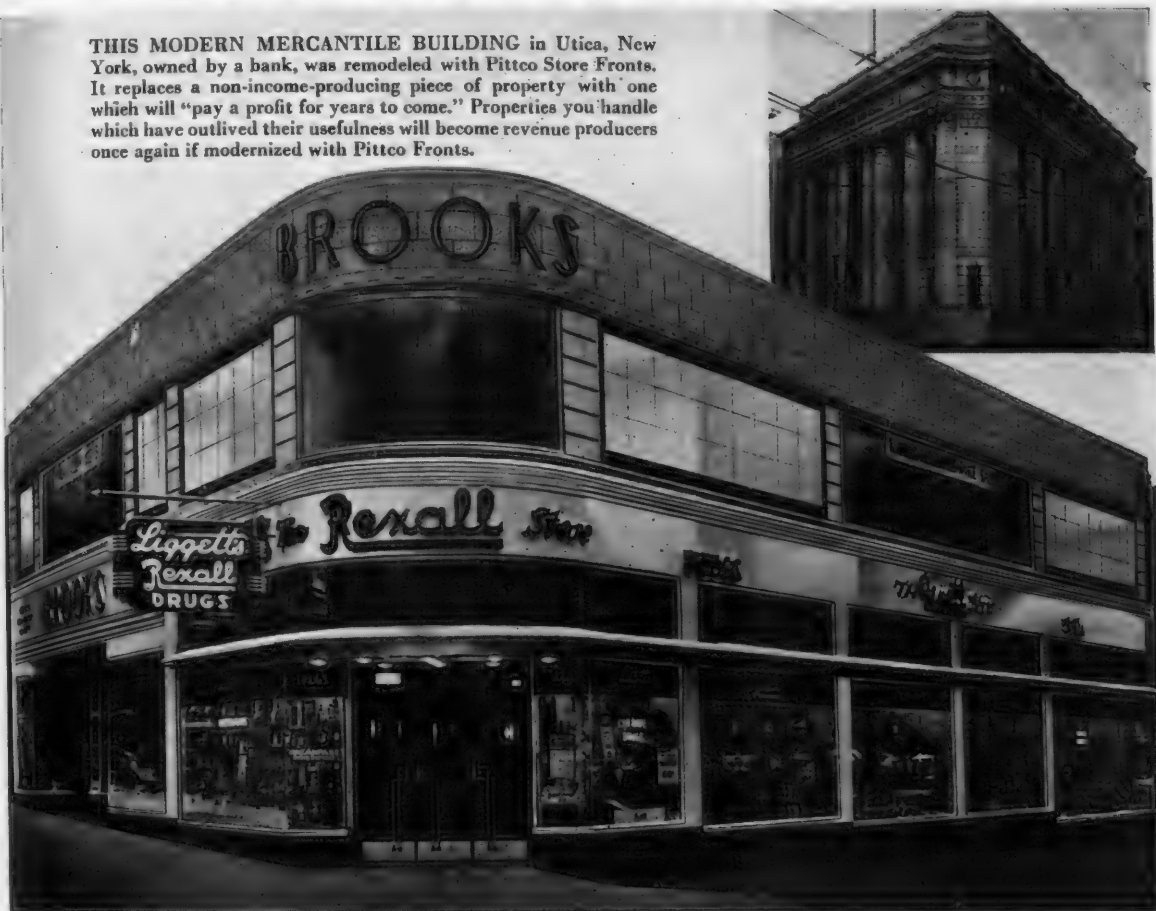
The face value of bonds maturing this year is placed at \$481,500,000, of which \$260,000,000 are railway obligations. Industrial and utility issues are \$57,500,000 and \$56,000,000 respectively, and foreign municipals and government issues \$108,000,000.



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## The Factor speaks:



The annals of Time record many examples of the service factors have rendered to the commercial world. At the celebration staged in honor of Pope Leo X during the first year of the 16th century, Johannes Fink, factor for the merchant-banking house of Fugger & Company, provided an enormous arch beautified with tapestries and a great painting of the arts and sciences, with the triumph of the goddess Fortuna as a central motif. Early in commercial history, factors served an important function in the economic life of the mercantile trade. The modern factor, absorbing credit risks and cashing accounts receivable, opens the door for increased production to the independent manufacturer, adapting time-tried principles to modern economic conditions.

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## Uniform Examinations

Washington, D. C.

CONFERENCES between all Federal agencies having to do with the supervision of banks have been going on in Washington during the better part of two months. The subject, as announced, is uniform bank examinations. Following these conferences state bank superintendents and various personalities high in the banking world have been drawn into consultation. The impression given out by these conferences is that the authorities are considering a uniform system of examination.

The real issue under discussion is the matter of uniform supervision rather than examination—supervision with respect to the quality of loans banks may make, the quality of investments they may carry, the disposition of profits made by the sale of securities and similar matters. All this has a bearing on the question of how far banks may be permitted or may be induced to go in cooperation with the plans of the Federal authorities to put out as much bank and other credit as possible to aid business recovery.

As far back as 1934, soon after the establishment of the Federal Deposit Insurance Corporation, efforts were made to work out a uniform call report schedule which would meet the requirements of all the supervising agencies, state and national. As the agency responsible for practically all the banks of the country, the F.D.I.C. took the lead in the matter. It worked out a schedule and sought the cooperation of the state superintendents and of other Federal authorities, so as to avoid duplication, unnecessary effort and expense, and also to establish more standardized requirements.

### 33 STATES STANDARDIZED

SUPERINTENDENTS in 33 states accepted the F.D.I.C. form for use in the examination of the banks under their jurisdiction. Superintendents in the other states accepted this schedule so far as their respective state laws permitted. The Federal Reserve authorities accepted it, but the Comptroller's office refused. The understanding now is that the Acting Comptroller will also accept the F.D.I.C. form. It is hoped and expected that gradually all states will so modify their laws as to make this uniform schedule applicable to all bank examinations in accordance with the long expressed desires of the banks.

At the meeting of the executive

committee of the National Association of Supervisors of State Banks in Washington in February, however, it was proposed to modify this schedule so as to bring about the regrouping of certain asset data as the basis of improved supervisory action. Among the reforms sought is the elimination of so-called slow loans and the grouping of loans either as liquid commercial loans or as long term amortized loans; also a regrouping of bond holdings as high grade securities to be valued at cost and second rate securities to be valued on another basis. This latter distinction is designed to form the basis for a requirement that the banks shall hereafter carry profits from the sale of securities to a special reserve to cover losses on the same account.

### A MATTER OF TERMS

WHEN, however, these matters were brought before the various Federal supervisory authorities at the request of the President, who hoped that a uniform system could be worked out without new legislation, considerable difference of opinion developed. It was later emphasized when the matter was referred to the state bank supervisors and prominent bankers. Apparently the Reserve authorities and Chairman Jesse Jones of the R.F.C., both in line with recent addresses and statements, were unwilling to classify either loans or investments in any way which would militate against long term industrial or other loans by the banks in pursuance of the Government's policy of pumping credit into business. For the same reason there was opposition, although to a lesser degree, to a reclassification of bonds, lest bank examiners prevent a widening of credit by refusal to approve some of the holdings of some of the banks. On the other hand, the F.D.I.C. authorities, in line with the policy they have been insisting upon for many months, seem to have insisted that the distinctions called for in the proposed schedules were necessary in the interest of bank soundness.

The position of these conservative officers seems to be that while it may be all right for a Government agency like the R.F.C. to make long term loans of doubtful bankable quality with the Government to stand any loss which may result, it is not the part of commercial banks to risk their depositors' money in the same manner.

G. E. A.

BANKING



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## Liquidity Trends

Washington, D. C.

**WHATEVER** may be the developments in the current business depression, bank troubles are not likely to be among them. This is due both to the new banking machinery and the condition of the banks themselves. The bolstering function of the Federal Deposit Insurance Corporation offers protection to over 97 per cent of the depositing public, and more liberal rediscount privileges at the Reserve banks afford all member banks the ability to turn all their sound assets into cash practically over night. The R.F.C. and various other means are afforded banks not in the Reserve System for similar protection.

In the years immediately following the crash of 1929, during which the country's banks struggled with increasing deposit withdrawals and the evil effects of hoarding, the matter of liquidity became of prime importance. If the measure of an institution's liquidity is its cash items plus Government securities, the extent to which banks attained it is indicated by the following table showing the percentage of cash items and Government securities to all assets in member banks in the Reserve System.

Percentage of Liquidity in Member Banks —  
Cash and Government Securities to Total Assets

	June 30, 1929	Dec. 31, 1932	Dec. 30, 1933	Dec. 31, 1934	Dec. 31, 1935	Dec. 31, 1936	Dec. 31, 1937
Cash items.....	14.9	18.5	19.6	25.1	25.7	28.6	28.5
Government securities.....	9.0	18.0	21.4	24.7	23.7	23.9	22.6
Guaranteed securities.....	—	—	—	2.9	4.0	4.0	3.8
Total	23.9	36.5	41.0	52.7	53.4	56.5	54.9

As if this record is not impressive enough a little analysis of the condition of member banks in the Reserve System at the end of 1937 is worth while. The ratio of cash items and Government securities to total assets in the central Reserve city banks, the Reserve city banks and the country banks was as follows:

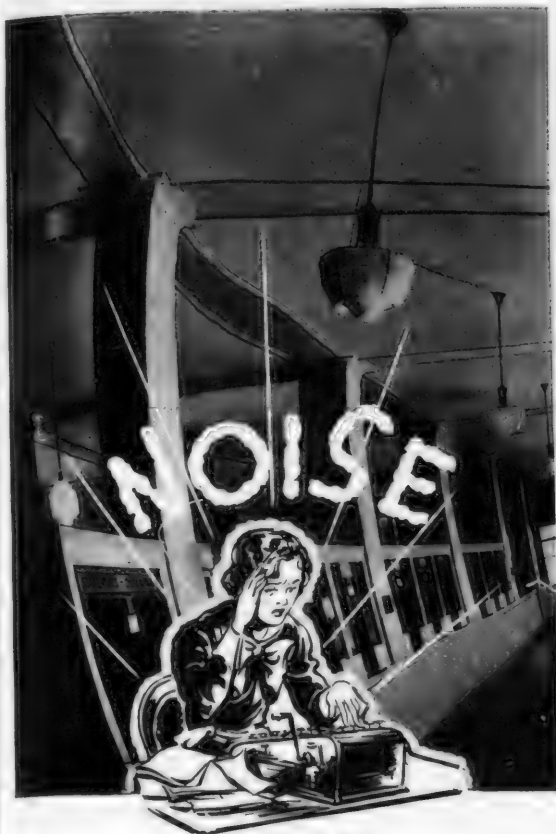
Percentage Ratio of Liquid to Total Assets in Member Banks  
by Required Reserves Classification

	New York	Chicago	U. S.
Cash items.....	31.1	32.6	25.1
Government securities.....	25.2	31.1	17.3
Guaranteed securities.....	3.0	3.2	4.7
	59.3	66.9	47.1

A breakdown of these ratios shows that 28.4 per cent of the total assets of national banks was in cash items, 22.7 per cent in direct Government securities and 4 per cent in securities guaranteed by the Government, a total of 55.1 per cent. State member banks had 28.7 per cent of their assets in cash items, 22.9 per cent in direct and 4 per cent in indirect obligations of the Government, a total of 55.6 per cent.

Turning to statistics of the F.D.I.C., we find the averages are not so high and the influence of small country banks is notable. For all banks in the insurance system, including both member and non-member banks in the Reserve System, the ratio of cash items to total assets was 27.5 per cent; of direct Government obligations 21.3 per cent and of the guaranteed securities 3.9 per cent—a total of 52.7 per cent. The ratios held by non-member banks were 21.5 per cent in cash items, 13.4 per cent in direct Government obligations and 4 per cent in securities guaranteed by the Government—a total of 38.9 per cent.

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## ADDRESS

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# Intermediate Credit for Industry

Washington, D. C.

IF the proposals of a sub-committee of the President's Interdepartmental Business Aid Committee are adopted, the next 12 months or so will witness the establishment of a new system of Government credit agencies formed for the purpose of financing small businesses. The system to be followed will parallel that of the intermediate credit banks and the production credit associations of the Farm Credit Administration. The sub-committee recommending the new system is composed of Governor W. I. Meyers of the Farm Credit Administration, John Fahey, Chairman of the Home Loan Bank Board, M. S. Szymczak, a Governor of the Federal Reserve Board, and Frank Wilson, representing the census of unemployment.

As this is written the recommendations of the sub-committee are yet to be passed upon by the full committee, of which Chairman Jesse Jones of the R.F.C., Chairman Marriner S. Eccles of the Federal Reserve Board and James Roosevelt of the White House secretariat are the leading members. Ultimate approval, of course, must come from the President.

## BASED ON OLDER PLAN

THE plan proposed adopts the general principle of the Federal farm loan associations in connection with the Federal land banks and the production credit associations in connection with the production credit corporations and the intermediate credit banks. In other words, it contemplates cooperative credit with Government backing and, for the most part, Government capital. Industrial intermediate credit banks would be established in each of the 12 Federal Reserve districts corresponding to the intermediate credit banks of the farm credit system. The industrial intermediate credit banks, either directly or through special corporations formed for the purpose, would foster the organization of local credit associations composed of small business men.

The capital for these credit associations would be furnished partly by the industrial intermediate credit banks and partly by borrowers or potential borrowers in the associations themselves along lines similar to the present production credit associations. In the latter the production credit corporations financed by the Government hold Class A non-voting stock and borrowers Class B voting stock, of which the Govern-

ment's Class A stock has usually represented between 85 and 90 per cent of the total capitalization. Presumably a similar proportion of stock would be held by the Government agencies in the new system. At all events, from the credit associations thus formed the small business men or corporations comprising the membership would borrow to meet their needs on collateral satisfactory to a loan committee of the association, but each borrower would contribute 5 per cent of his loan as a subscription to stock in the association, which he may dispose of to other members when once his loan is repaid. The credit associations will rediscount the loans with the regional industrial intermediate credit bank, which will raise funds for the purpose by the sale of their own debentures.

## CONSIDERABLE POSSIBILITIES

THE whole system would be a permanent organization designed to do for small business concerns what the farm credit system has done for the farmer through the production credit associations. Since the latter had placed loans up to March 31 totalling \$899,078,746, of which \$162,599,968 was outstanding, the possibilities of such a system can readily be appreciated.

Three facts are to be considered in connection with this proposed extension of the financing of business by Government agencies which give the proposal something more than an emergency character. The first is that the idea of intermediate credit banks for industry is not new. It will be recollected that in April 1934, when the matter of extending the loan powers of the R.F.C., especially with respect to loans to industry, became an issue there was considerable objection to the extension of the powers in general and to an extension of direct loans to industry in particular. In other words, the R.F.C. was considered already too large and too permanent. As an alternative, and again with special reference to direct loans to industry and as a permanent solution of the difficulty, the Federal Reserve authorities recommended the establishment of a system of industrial intermediate credit banks. The Reserve proposal was set aside in favor of direct loans by the Reserve banks themselves in Senator Carter Glass's measure amending the Federal Reserve Act.

Under this system of direct loans the

Reserve banks have put out a total of approximately \$155,000,000 in direct loans or commitments. The amounts outstanding have been steadily decreasing, however, until on May 1 they amounted to approximately \$30,000,000. The direct loan system by the Reserve banks, in fact, is generally considered a failure and in any case is not regarded as a proper function of a central bank. Assuming that the R.F.C. is still an emergency organization, a return to the original proposal of industrial intermediate credit banks as a permanent set-up for credit of this character is the logical outcome of the situation.

A second fact to be considered is that the system of production credit associations in the Farm Credit Administration has been successful on the whole, and the experience gained in administering them would undoubtedly enable the managers of the new system of industrial credit to avoid many of the pitfalls and resulting losses which attended the operation of the agricultural credit associations in their first two or three years' operation.

Another phase of the proposal to be considered is the relation of such a system to the commercial banks of the country. Undoubtedly much of the credit to be extended represents loans which now come from the banks. Such has been the case with loans now handled by the production credit associations. Since loans of these associations are the one item in the farm credit system which is steadily growing, the influence of the proposed new system upon loans of commercial banks may in time become serious. On the other hand a considerable proportion of the credit to be handled by the new system is not properly bankable.

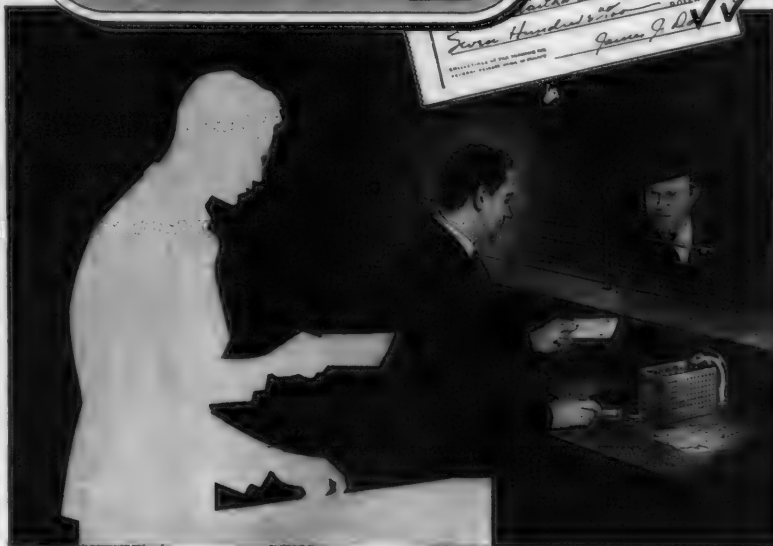
#### PRO AND CON

IT IS probable that in the long run banks will profit more from investment in debentures than they would from the business loans of a non-bankable sort in which the new system would specialize. Whether this prospect is such as to justify the establishment of a new Government credit system is a question which must be seriously considered, not only by the general public which is anxious to get the Government out of business but especially by the bankers of the country whose business interests are the most directly involved. In any event it is certain that the Government intends to see to it that small business men receive the credit and even the capital they need upon the most favorable terms practicable.

GEORGE E. ANDERSON

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## Whistle While You Spend

By ALBERT W. ATWOOD

NO two schools of thought are more violently at odds than those which respectively advocate and oppose a large program of Government spending. Connected, however, with this great, broad issue is another question, somewhat narrower and more strictly technical in a financial sense, but which can hardly fail to be of intense interest to all readers of this magazine.

I refer to the proposal, made by various intellectual apostles of the New Deal, that the Treasury discontinue its time-honored accounting practice of carrying all payments as expenditures on its books, and instead set up as assets such expenditures as may be in the nature of permanent investments.

At first sight this may not seem like a very startling idea, but upon inquiry we find that it has amazing possibilities and ramifications. The suggestion has been toyed with for some time by a number of Senators and writers who passionately believe in large spending programs, and it has come into particular notice because of a recent article in *Harpers Magazine*, entitled "But Is There a Federal Deficit?" by David Cushman Coyle, an engineer who has written extensively on related subjects.

Mr. Coyle argues that the Treasury should follow the usual business practice of separating capital investments from the operating or current budget. For instance, the Government plants 215,000,000 trees and yet counts the cost as an expense, not as an investment. It is too great a strain, he says, to pay for these trees, or for the prevention of soil erosion, or for new post offices, out of current revenue. There is no distinction, at present, he adds, between spending and investment.

Mr. Coyle, however, goes further than this. As the title of his article indicates, he suggests that if we had a different kind of bookkeeping, that is, one which showed that the Government was in the black, or much more nearly in the black, "a large part of the fear that now oppresses the American people would disappear."

Arthur A. Ballantine, former Under Secretary of the Treasury, recently commented on this proposal by saying that it "is not a method of Federal financing. It is simply a new excuse for maintaining indefinitely a dangerous scale of expenditure. What we need is a new course of action—not a new alibi."

But quite regardless of the reasons why this proposal has been put forward, let us look at it on its merits. Superficially there is much to be said for an accounting system which would distinguish between the running expenses of the Government on the one hand, and public works or other capital

outlays on the other. Private concerns usually make the distinction, and if they build a factory they frequently capitalize it, that is, count it as an asset.

But when we ask why a private business concern distinguishes between operating expenses and capital outlays we find that the analogy between the Government and a private business concern breaks down entirely. With the latter the relation between fixed and current assets must be determined for credit purposes, whereas the Government's borrowing rests more upon its taxing power than upon anything else.

Then, too, a private concern finds it difficult to determine tax liability or pay dividends unless it distinguishes between current and capital outlays. Finally the stockholders of a private concern are necessarily interested in the relation between current earnings and invested capital, and so the distinction must be made. None of these considerations applies to the Government.

### POLITICAL "INVESTMENTS"

BUT still more important is the fact that Government improvements or public works are not built necessarily from the standpoint of operating economy. They are erected for all kinds of reasons other than economic ones. They are frequently based on what might be called "monumental" considerations. Often it costs more to maintain a new Government post office than it did to rent a building from a private owner. How far fetched then to call the new building an asset from an accounting standpoint; rather it is a liability.

To be quite frank about it, many public works, or "projects", are undertaken because some Congressman has a pull. If Goose Creek has a new half million dollar Federal building, then Salt Creek must have one. No city or town or Congressional district wants any other to get more gravy than it does. Perhaps all these new buildings perform an aesthetic function and thus render a certain service.

But to argue that they should be put down as assets on the Treasury's books in the same economic sense and for the same reasons that a new steel mill is put down as an asset on a steel company's books is certainly straining a point. They may be a "good investment" in the sense that they make the citizens of Goose Creek feel proud, but to argue that they are investments in an accounting or economic sense, after the fashion of a business concern, is absurd.

Then, too, if the Government once starts to capitalize all expenditures which make for the ultimate national welfare, there is no place to begin or end. Its accounting would be

lost in a perfect maze of vagueness and unreality. There is no starting and what is more important there is no stopping point; soon everything would be included that is useful to the country.

Many Government expenditures will help in the long run to increase the nation's tax paying ability. But that does not help the Treasury in meeting its immediate financial problems. Even if there is a degree of plausibility in capitalizing certain improvements, payment still has to be provided out of taxes or loans serviced out of taxes.

Besides there are Government expenditures which injure rather than aid tax paying ability. Let me repeat a statement made in a preceding paragraph; once we begin to capitalize these expenditures we get into a realm of utter confusion and unreality.

Mr. Ballantine makes the interesting point that even private business concerns, if they are very large, and conservatively handled, frequently add to plant without capitalizing improvements. If they have to build several plants a year they find it safer to charge them off as built. The Government, he says, is so vast and has so many recurrent needs from year to year that any attempt to distinguish between capital and current outlays loses all point.

#### WHAT ABOUT DEPRECIATION?

THIS brings us to what is probably the most interesting consideration of all, and one which easily escapes attention. At present the Government pays for all expenditures out of cash and charges them off at once. But if it begins to capitalize its so-called investment expenditures it must necessarily include in its operating budget annual or periodic charges for depreciation and obsolescence.

It is all very well to say that 215,000,000 new trees are an investment. But suppose there is a forest fire? How is this going to be allowed for? What effect are the calculations concerning the chances of the trees being injured going to have upon the year's budget, when it is remembered that similar charges must be made for thousands upon thousands of other kinds of investments?

In other words the capitalization idea necessarily presupposes an incredibly vast and intricate system of depreciation, obsolescence and other similar annual charges to be made on all Government property. All these complications are obviated under the present system, which charges off everything at once and operates on a strictly cash basis.

Frankly, the prospect of years of accounting, engineering and economic controversy over the rates and methods of depreciation on the vast range and variety of Government property is appalling. For the surplus or deficit could easily be increased or decreased through relatively slight changes in rates or methods. Results would be misleading and of little value.

The distinction between capital and other expenditures is often little more than a matter of opinion; indeed Mr. Coyle himself seems very uncertain in his recent article as to just which expenditures should be capitalized and which should not. Thus the difference between profit and loss of the mighty Government of the United States might depend upon individual caprice or the financial convenience of the moment.

If we have a Government accounting system which allows for assets whose value depends upon opinion and which cannot be measured in dollars and cents, there is a fine chance that the present integrity of the Treasury figures might break down completely. Great Britain has had a long ex-

*THE Federal budget is probably not unbalanced. The chances are that it is really piling up a surplus. No private business with good credit facilities and good management would operate in such a slipshod manner. By being over-conservative and straining for the ideal of paying for all our investments out of current revenue we fall just enough short of the ideal to throw us into a state of penny-wisdom and pound foolishness.*

DAVID CUSHMAN COYLE

perience in democratic government and is constantly being pointed to by our own liberals to shame our more conservative ways, but Great Britain has no capital account.

The fact is that a number of governments have tried the experiment of distinguishing between capital and current expenditures by having an operating and an improvement budget, or as they are sometimes called, an ordinary and an extraordinary budget. But students of the subject describe the practice as the "juggler's cup", because of the overwhelming temptation to transfer items which properly belong in the ordinary to the extraordinary budget for administrative expediency and to appear to balance the budget when it is really unbalanced.

It seems to this writer that to abandon the present system of treating all outlays as current expenditures and to adopt a capitalization system would remove one of the very few curbs remaining upon utterly unbridled spending. If the Administration were free to capitalize expenditures which someone's opinion might hold to be "investments", then the urge to make present improvements at the expense of future generations and to make unnecessary and uneconomic improvements would be simply irresistible.

Of course nothing said here is intended to discourage any improvement in Government accounting, and even those engaged in this field admit there is room for improvement.

There is no doubt that the Administration has made a very poor defense of its budget and spending policy, which has been under such devastating and persistent attack. Possibly it could make a much better explanation than it has done, and Mr. Coyle may even be right in suggesting that people would be more willing to pay taxes if they knew how valuable many of the Government's investments are.

But all this is no reason at all for putting the blame on the accounting system. Apparently some of our "liberal" Senators and writers have confused two quite different things, namely, budget policy and accounting practice.

These same gentlemen certainly take a naïve attitude toward Treasury accounting, for they seem to imply, perhaps not intentionally, that Treasury officials are either unfamiliar with proper accounting or else have fallen into a terrible rut. Frankly, this seems most unlikely; it is altogether too simple to assume that Treasury officials have never studied the capitalization proposal. What is far more likely is that the idea has been studied many times and discarded as unworkable and dangerous.

At any rate, it is very fortunate that the daily and monthly Treasury statements are based on a simple, easily understood dollars and cents system rather than upon a labyrinth of opinions concerning valuation and other similar intangibles. Indeed, this is one of the greatest assurances we have of integrity in the conduct of the Government's financial affairs.

(Mr. Atwood is a prominent commentator on economics and national affairs.)

# Field Warehouse Financing

By GEORGE E. ANDERSON

THE growth of field warehouse financing recently has been in the volume of business done in existing field warehouses rather than in the number of such establishments. When once a manufacturer, merchant, processor of fresh fruits and vegetables, or grain merchant establishes the machinery for field warehouse financing he usually finds it convenient to continue to enlarge his credit by this means.

Strict attention to rules, however, is the heart of the matter. The necessity of care in handling loans based upon field warehousing is the occasion for a rather vigorous campaign for more strict observance which is being carried on not only by the Field Warehouse Administration in Washington but also by bank supervisory authorities, largely as a result of the efforts of the F.W.A. Federal authorities complain that much of the difficulty for all concerned, particularly bad warehouse collateral loans, is the result of high power salesmanship of many warehousemen, including a publicity barrage which reaches even into financial publications. It is claimed that they stimulate field warehousing for the fees involved under conditions which involve the violation of sound warehouse financing principles. Warehousemen, on the other hand, complain that some of the rules laid down by bank examiners, largely on the advice of Federal warehouse authorities, are too strict for practical operation.

## THE WAREHOUSE LOAN RECORD

IT must be realized, of course, that while at times there have been serious losses on warehouse loans the record of such loans is exceptionally good and, properly guarded, they are gilt-edged in quality. It is the exceptional case which receives attention, while the great mass of such business proceeds in a profitable, smooth and satisfactory manner. What the authorities are trying to do is to prevent these exceptional cases and place the business in a condition in which the banker can absolutely rely upon the collateral offered him.

Of the nine general rules or factors laid down by the Field Warehouse Administration as the essentials of sound field warehouse financing the most stress continues to be placed upon the nature of the warehouse receipt and upon the nature of the bailment. The Warehouse Administration emphasizes the absolute necessity not only of information on the warehouse receipt itself which will give to the lender a concise yet comprehensive description of the goods to be covered by the loan so that he may form a proper opinion of their fair market value, the ready salability and so on, but also that the receipt shall acknowledge the receipt and deposit of the goods in absolute terms.

The Administration continues its campaign against a receipt which merely acknowledges the receipt of so many cases or so many bales "said to contain" the commodity in question, claiming that such a receipt is worth nothing more than the phrase "said to" would indicate—which is just about nothing. Either the goods are there or they are not

and the banker must know which is which and what is what. It is the proper business of a warehouseman to know what he is receiving and for what he is giving his receipt. This requires trouble and expense but it is the only way in which a lender can be properly protected.

The second factor which the authorities have found by experience to be the most probable source of trouble is the nature of the bailment, particularly with respect to an absolute delivery by the borrower-bailor to a custodian who is completely and wholly independent of him. Cases most commonly cited as the occasion for trouble are those where the deliveries have been to persons, such as former employees, who are under the control of or under more or less obligation to the borrower.

Unless all these comparatively minor factors demonstrate complete independence of the warehouseman and his custodian representative from the borrower there is likely to be something wrong with the loan. To be safe collateral the bailment must be such as to deprive the borrower of any control over the commodity until he has discharged his obligation to the lender. Government authorities feel that many bankers fail to realize the essential difference between field warehousing and public warehousing in this respect and are letting themselves in for trouble by reason of carelessness or indifference in the matter.

This passing of physical control, however, is the very heart of sound field warehousing. It involves no new warehousing principle; it merely assures that established warehousing principles are being followed. The acid test in such a case is whether or not the bailee has leased and publicly announced the lease of the bailor's premises to be used as a public warehouse and takes complete charge of the premises. He accepts goods of the owner of the building precisely as he accepts those of other parties. His relation with the owner of the building is that of lessor and lessee and, in connection with the goods to be stored, that of bailor and bailee. There can be no compromise in these relationships. A meticulous observance of all the legal requisites of bailor and bailee is absolutely essential for the soundness of a warehouse loan.

## A SOURCE OF BANK CREDIT

IT should be emphasized that insistence by the authorities upon due observance of the rules they lay down must not be taken as casting any reflection upon warehouse loans in general or field warehouse loans in particular. Warehouse receipt advances long ago established their position in the banking world, and although field warehousing is comparatively new, many regard it as offering an almost unlimited field of bank credit which can be cultivated with great advantage both to borrowers and lenders. It is upon the extension of this field under proper safeguards that supervisory activities are now centered.

(MR. ANDERSON is a Washington writer whose articles frequently appear in *BANKING*.)



# An Imitation Gold Standard

FROM the Civil War to the adoption of the Gold Standard Law in 1900 the American electorate was kept in an almost continuous state of excitement over the money question. But in 1900 we thought that we had finally and definitely settled the matter in favor of the single gold standard.

Once more, however, the money question in a startlingly new guise is before us. The vicissitudes of war and the strain of the world-wide economic breakdown have been too much for the gold standard. It has almost completely collapsed. Quite recently a distinguished officer of our Federal Reserve System in a paper presented for public discussion, and without argument in extenuation, simply brushed aside gold as the touchstone of monetary and banking policy, and professed to be seeking what he called a "statistical equivalent for gold".<sup>1</sup> Congressman Wright Patman has also introduced into the Congress a bill which seeks to make it obligatory on the Board of Governors of the Federal Reserve System to maintain the level of commodity prices within 2 per cent of that of the year 1926. In short we are now boldly confronted with the assumption that for the gold standard must be substituted some scheme of money management.

## IMPORTANCE OF GOLD IN THE PAST

FROM time immemorial gold has played an exalted part in human affairs. Mankind's passion for gold as a means of adornment led, we are told, to its use as a store of value and as money. In mediaeval and in early modern times the possession of gold, and, as well, of silver, was one of the primary objects of public policy. Bounties were offered for the importation of these "precious metals" and dire punishments were inflicted on those detected exporting them. These cruder procedures were abandoned after statesmen, enlightened by Sir Thomas Mun's quaint little volume, *England's Treasure by Foreign Trade* (1621), turned to the policies of Mercantilism under which a "favorable balance of trade" insured the steady inflow of the treasured metals.

In our own day gold conquered silver and reduced it to a secondary position in monetary affairs. Thereafter, all the different kinds of money and credit had their value definitely equated to, if not directly controlled by, that of gold.

In the field of banking gold played a particularly important rôle. Under the gold standard, whatever the peculiarities of any given banking system, ultimate reserves were gold itself, and it was the amount of the gold reserves that largely determined bank credit policy. Expanding reserves meant "easy money" and lower rates, while a loss of gold reserves normally necessitated a raising of money rates and contraction of the volume of bank credit outstanding.

The maintenance of the gold standard, it should be noted, required much more than a mere declaration by law of what the relationship of money to gold should be. A definite technique had to be followed to guarantee the realization in practice of the value relationships so fixed by law. This technique tended to vary with the type of gold standard that

<sup>1</sup> W. Randolph Burgess, "The Statistical Equivalent for Gold", in the *Journal of the American Statistical Association*, March 1938.

A picture article, "Gold Has Seen Better Days", appears on page 40 of this issue

a country might have. In the international market, however, it was regarded as a *sine qua non* of the gold standard that there be no restriction either on the inflow or the outflow of gold on the part of any country professing to be on that standard.

The operation of the standard, once established, was supposed to be automatic. For example, if in the United States there were, because of the discovery of new sources, a great addition to the gold supply, it was assumed that bank reserves would increase, that discount rates would be reduced, that bank credit would expand, and that prices would rise. This would lead to a shifting by bankers of funds to foreign markets where money rates were higher. Rising prices would tend to diminish exports and stimulate imports, leading to an "unfavorable" balance of trade. The shifting of funds by bankers and the enlarged demand for foreign exchange by importers would push up foreign exchange rates, and, if the movement were strong enough, would carry the rates to the gold export point and gold would move out. Thus it was believed that new supplies of gold would automatically be distributed among all gold standard countries until their several price levels were in practical harmony, and the relative values of their money units, as quoted in the foreign exchange market, were brought again within the gold export and import points. In like manner it was supposed that if any gold standard country, through the increase of its population or through some other influence which enlarged its industry and trade, required additional gold to support an expanding money and credit system, that gold would come to it from the international market by a similar automatic process. In short, under the beneficent reign of gold, both at home and abroad, the value of money was supposed to be kept as nearly stable as possible, thus promoting trade and investment in both the home and the international market.

## WORLD WAR BRINGS INFLATION

UNFORTUNATELY, however, during the Great War, most of the belligerents found themselves unable to maintain the gold standard. The levy of taxes was inadequate, bonds could not be bought by *bona fide* investors in anything like the sums needed, and, in desperation, resort was had to inflation of money and credit. The result was a rapid rise in the domestic price level and a steady advance in the quotations of the foreign exchanges, especially the exchanges of those countries that remained on the gold standard. The normal check on the fluctuation of the foreign exchange rates supplied by the export or import of gold was rendered inoperative by restrictions imposed on the free movement of the metal, and the value of money could no longer be kept at a fixed gold value. The result was that in many neutral countries as well as in the belligerent countries "fiat" money supplanted gold as the actual standard.

Nevertheless, all this did not mean that the reign of gold had been definitely repudiated. Thanks to the fact that we in

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## By E. E. AGGER

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the United States did not get into the war for almost three years after its outbreak, we had enormously increased our sales abroad, and had taken in exchange a considerable proportion of the world's visible supply of monetary gold. To help finance our own activities after we entered the conflict, we permitted a huge expansion of credit, but under the economies made possible by the Federal Reserve System, the gold reserves were adequate to keep our money on a gold basis. Despite some governmental interference and control, we maintained the gold standard in a reasonably orthodox manner, and the quotation of foreign money in terms of the American dollar was in fact generally regarded as the equivalent of the quotation of such money in gold itself.

### POST-WAR GOLD STANDARDS

AFTER the Great War, as Sir Arthur Salter has so well explained in a recent essay, *What Is Ahead of Us*, every effort was made to restore the world system to what it had been before Sarajevo. In the field of money and exchange this implied a restoration of the gold standard. Particularly in England, among the "city men", there prevailed the rather naïve opinion that, since English dominance of international trade and finance had grown up under the gold standard, all that was necessary to re-establish that dominance was to restore the pre-war gold standard. Despite the protestations and warnings of critics like John Maynard Keynes, such a restoration was made by Great Britain, with heroic effort, in 1925. Other countries like France and Italy, whose money had been too seriously bogged down by inflation, revalored their money on a much lower gold basis, but on such a "devalued" basis they endeavored manfully, for a while, to keep the gold standard in operation. Germany simply tossed her old money overboard, but, under the Dawes Plan, tried also to make a new start with a money system again anchored to gold.

### MANAGED CURRENCIES

TODAY, most of the countries of the world have what we are pleased to call a "managed currency". By a managed currency is meant a money system in which no attempt is made to establish one or more commodities as the standard for the purpose of regulating the value of money, but in which, instead, through the cooperation of governments and central banks, the effective value of money is subjected to manipulation and control. Governments lend a hand through monetary and fiscal procedure, while the central banks operate through reserve adjustments, money rates, so-called open market activities, and other credit control procedures of a qualitative as well as a quantitative nature, and through direct operations in the foreign exchange market.

The primary purpose of monetary management in each country is, broadly speaking, to safeguard the home economic structure. The compulsory domestic readjustments, which, under the old gold standard, were made necessary by gold movements undertaken in the interest of international monetary stability, are now regarded as largely undesirable.

Today, emphasis is placed first of all on the purely home needs.

These home needs are, of course, very complicated. Originally, the stability of the domestic price level was regarded as almost the exclusive object of concern, but the studies that have been made of price changes and their implications, and of the complicated factors involved in the business cycle by Mitchell, Mills, A. F. Burns and other students, all suggest the inadequacy of a stable level of prices (even assuming it to be attainable) as the sole objective of money management. It is recognized that, through prices, production as a whole tends to be controlled, and that it is through prices, also, that the division of the social income is effected. Changes in individual prices, as well as in groups of prices, may be quite as important as a change in that abstraction known as the "level of prices". Consequently, modern money management takes into account conditions of, and trends in, production, employment, trade, money and investment in both domestic and international markets, as well as price changes of all kinds, before deciding upon any particular line of policy.

### THE GOLD STANDARD TODAY

ALL this is obviously a far cry from a simple consideration of gold reserves. Indeed, reserve requirements themselves are now manipulated. Through action by our own Treasury about a billion and a quarter's worth of gold was sterilized—that is, simply withheld from the banking system. And, at this writing, because of the "recession", a new "desterilization" has been announced. Furthermore, the Board of Governors of the Federal Reserve System, by regulations promulgated in 1936, doubled the reserve requirements for all member banks, but in harmony with the Treasury's desterilization policy have again reduced them. It is, of course, true that we still use gold in the United States as the "standard" for our money system—that is to say, we still maintain a fixed value relationship between money and gold.

But we no longer coin gold and we refuse to supply it for any domestic monetary purpose. In actual practice, because of the part played by organized banking in our economy, emphasis has been shifted from purely monetary policy to banking policy. While gold still serves as the most important element in our metallic reserves, we have provided by law that silver shall make up one-fourth of such reserves. We use gold, today, only as an instrument of adjustment in the international exchange market. In short it is thus merely a tool and is no longer the great barometer in the determination of policy. If today one could sit in at a meeting of the directors of a Federal Reserve bank one would see on the walls statistical tables, charts and graphs of all kinds, showing the movements of production, trade and exchange in all their important phases. It is from a study of these things that market policy is determined, and it is because of the heavy responsibility that goes with such a determination that Dr. Burgess, not without a touch of nostalgia, yearns for the perfection of some all-embracing formula which, while taking all the relevant factors into account, might still be as simply and as impersonally applied as were the gold reserve percentages in a less sophisticated age.

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# The Anatomy of Gloom

TO bring this article into line with the dignity of a banker's magazine, I have at least to pretend that it is part of the "psychology of business". As everyone knows, there has grown up now in the colleges an entire department of wisdom called by that name, the "psychology of business". This shows how you can sell insurance to a "prospect" by looking him in the eye; or find out the saturation point of the sale for suspenders—what's called the elasticity of the demand—by saying to a number of men in succession, "Your pants are slipping". There are other tests for women.

So, in a way, this article, dealing with the business value of cheerfulness as a collective business asset, is not to be ruled out as a mere attempt at humour, a thing not to be tolerated.

Let me first put in a few words what I want to say with all the dignity and seriousness that befits a professor—and then try to say it over so as to make it worth hearing. I think that we, speaking collectively for about a hundred million people, are greatly adding to the burden of our world by our new mentality of distress. Anxiety is becoming a habit. We cultivate the expectation of disaster. This attitude works towards our destruction. We are all afraid together. We have lost courage. Mediaeval superstition, with its fear of hell, wasn't in it with our new fear of depression, our new alarm of war. We see it everywhere. Bankers tremble. Newspapers croak. Professors prophesy. Farmers cry. Business slackens. Credit shrinks. Politicians shirk. Even the criminals are discouraged, losing nerve.

We are only kept going at all because youth will have its way, will ride in motor cars, will spend money in cabarets. And because at all ages pleasure beckons, people take trips and buy what they can't afford. The pump sucked dry with fear is primed by extravagance. Never mind the economics of this. Just take it as a fact. It always has been so. We are dancing, it is said, on the edge of a volcano. Good, keep it up! "Forward and back, and do-se-do!" as they called out in the barn dances.

I think we get the theme or shall I say it over again—business and industry are being paralysed by apprehension. The world is becoming too serious today, even to do its serious work properly.

## BANKING CAN BE A PLEASURE

TAKE first, as the most obviously polite example in the present instance, the case of banking. What a serious trade it has become! As I first remember it in my home town of Mariposa (population 4,000 but locally estimated more) it was a profession calculated to enlarge the amenity of life. A bank manager was supposed to turn up with the key of the bank about ten; the clerks dropped in soon after. The manager only stayed till a customer asked him out for a drink, the usual civility after receiving a loan, or until he asked a customer out for a drink, the usual courtesy after refusing a loan.

This kept the manager in and out of the bank all day, seeing the public all the time, always pleasant and agreeable—why not? And thus gathering business without trying for

it. For business, like happiness, comes easiest when least sought. The banker's clerks never studied books on banking—there weren't any—didn't bother with graphs or charts—except for the races—went home at three o'clock, played tennis till dark and poker (ten matches to a cent) till daylight. And yet, in the words of an old song, "the world went very well then".

## NEWSPAPERS WEREN'T ALWAYS TERRIFYING

TAKE, if you will, the terrible change that has come over journalism. The old time newspaper—I'm thinking of the country type—told the *best* of everything. The huge city papers that we read now tell the worst of everything—a daily scare of apprehension of approaching war, of imminent disaster, of deepening depression. We get to expect it, to ask for it, like martyrs asking for suffering. The old-fashioned country newspaper tried to find pleasant news such as: "We see that Mr. Silas Aimes has got the frame of the new big barn up. Well done, Si!"—or—"We learn that Mrs. Lem Crowder and her daughter Posie are back from a trip to the old country. They spent a week going all over England and Scotland and report the old country a great place, right up to the modern standard!" Now, why can't we train our journalists to give us a little of that sort of stuff! Like this: "Mr. Adolph Hitler is putting a new tin roof on his house at Berchtesgaden. Well done, Alf, you'll need it." Or this: "Dooce Mussolini, of Appian Way Corners, has stocked in a new line of gent's shirting, done in a heavy black material, and well suited for chores and dirty work. Dooce's slogan is, 'You can change later'. A lot of the boys are buying." Or this one: "Advices from northern Spain show that Frankie Franco's circus will be on tour all through Catalonia in early Summer. The little ones are on the lookout already. Give them something good, Frankie!"

## DISASTER SHOULD KEEP ITS DISTANCE

I DON'T mean to say that old time newspapers in the city didn't contain sensation and disaster. Of course they did. But it was other people's disaster. We just got the sensation. We read, for example, that a subterranean earthquake had destroyed an island in the Pacific, killing over a thousand Kanakas—poor fellows! Some of them were blown a hundred feet in the air—poor lads! Or we read that the Russians had overrun Turkistan and that General Itch had executed Fatash Pasha, the rebel leader. It was all so far away—just quiet reading for breakfast. But now the daily newspaper is the day's anxiety.

Our trouble is too much fuss over foreigners. A generation ago if we had heard that they were making a new *anschusz*, or *anschlitz*—what is it called?—we would have thought it had something to do with beer. Let's let it go at that.

Our trouble is statistics. We do everything with charts and graphs. A baby starts with a chart, where it used to get a kiss. All through our lives, charts follow us, to show how depressed we are, how much in debt we are, how much married we are, and how criminal we are becoming. At the end, a little chart beside a hospital bed runs out with us to zero. But the



## By STEPHEN LEACOCK

real things of life, the endeavour, the hope, the will, that make it, are things no chart can show.

Our trouble is prophecy. We are too much troubled about the future. It sticks in my mind that there is a warning against that in the New Testament somewhere, but it is little read now. We attempt to peer into the future with a little apparatus of statistics, like looking into a fog with opera glasses. Prophecy is all right in its way, but to get the good of it you have to make it bold and long. When I was a professor, an occupation I followed for 35 years, I dealt freely in my lectures in prophecy. "*Mark my words, gentlemen, in a hundred years you will see the structure of our government basically altered,*" or "*The Continent of America, gentlemen, is understood to be moving westward away from Europe and towards Japan at the rate of nearly 50 feet a year. I venture to prophesy that we shall find means to alter our foreign policy in time to meet this new rapprochement.*" Unfortunately I made some of my prophecies a little too short and got out of college just before they were due.

But I am saying, make your prophecy long and bold and it's good, if only as a stimulus to thought. One recalls the weather prophecy of the old *Farmer's Almanac*, a whole year of weather at a time: "*July, wind, with rain and sun. No snow. Fair with spells of heat and cold. The sun in Sagittarius.*" Putting the sun in Sagittarius was a good touch—not so much where it was, but knowing it was there.

### WE CAN'T SEE AHEAD AND SHOULDN'T

THE truth is we can't see far. Life is veiled. It has to be. Biology has long since exploded all the nonsense about "signs of a hard winter", and so forth, that used to be the stock-in-trade of trappers and hunters. One remembers Longfellow's Evangeline.

All the signs foretold a Winter long and inclement.  
Bees, with prophetic instinct of want, had hoarded their honey  
Till the hives overflowed; and the Indian hunters asserted  
Cold would the Winter be, for thick was the fur of the foxes.

There's nothing in it, biologically. The fur on the animals has only to do with what is past and not with what is coming. You might as well say:

All of the brokers predicted a terrible slump in the market,  
Seeing their clients arriving no longer in sealskins but coonskins.

Yet we fret ourselves needlessly with our unending preoccupation over tomorrow. Wiser men in older times have warned us to seize the present moment while we can—to "eat, drink and be merry".

Gather ye rosebuds while ye may,  
Old Time is still a-flying,  
And this same flower that smiles today  
To-morrow will be dying.

But I am saying more than this. I am saying that it is good business to do so. Let me stress again the main theme I am trying to follow, and as difficult to walk as a tight rope. I am saying that there is money in cheerfulness, business salvation in hope and collective security in collective forgetfulness.

That cheerfulness is good business I was once called upon

to prove (to a law court) as an economic expert. I was commissioned to prepare a "factum" to that effect on behalf of a great corporation which had subscribed money to a sick children's hospital. This seemed to a shareholder to be a pretty reckless thing to do. No wonder he complained and brought suit. The only possible rebuttal was to show that charity was good business. The corporation repudiated all idea that they cared about sick children, a ridiculous thought—or took an interest in hospitals. They claimed they were just out for money. And I proved it. I showed that even hardened economists like Adam Smith and John Stuart Mill had admitted that there's money in charity and profit in good will. Any firm in the toy and Xmas business will see it at once: so what we want is more toys and more Xmas.

The corporation for whom I wrote the factum were so delighted with my argument that they were going to give me a fountain pen with an inscription on it till I showed them a better idea.

### ONE CASE OF PROPHECY

INCIDENTALLY—I say it as an obiter dictum, a digression rather against my theme—I got in this connection an instance of the practical working of the law as an instrument of prophecy. The lawyer in charge of the case showed me a pile of typed sheets. "That's the evidence of our witnesses," he said. "Have they given it already?" I asked. "Oh, no," he answered, "they won't give it for a month." "Oh, I understand, you mean they've written it out beforehand." "Oh, no," the lawyer said, "they haven't seen it yet."

As I look about me I seem to see a gathering pall of over-seriousness pervading all our civilization, of over-apprehension, over-anxiety. We take too much thought for the future. In fear of life we drag out our preparation for it, our education, too long. When it is done, life itself has passed by. Apprehension of the future makes everything too late—marriage ten years beyond its time, children ten years late, and Grim Death reaps down too soon what should have lived as a grandfather.

### NOSTALGIA FOR THE NURSERY

WE are losing the key to happiness. I realized this anew and vividly when I went the other day to see, as all the world has, *Snow White and the Seven Dwarfs*. What a wonder of light and color and, above all, what a world of happiness. One could feel the audience reach forward as if wanting to step from our world into theirs—the fawns, the little animals, so kind in every gesture, in every tremor, the merry melody of the dwarfs' evening gaiety, the mutual willingness and good will. Ah! give us that, and we can afford to have all our evil segregated into one hideous witch, forgotten as soon as gone.

If it is true that a heavy pall of gloom is spreading over us, if it is true that it debilitates our collective energy and lowers our collective confidence, what is there that we can do about it? Nothing that I know of—or nothing by rule, line or statute. Changes are made not by the law but by the spirit. The law merely registers the fact. The law against theft proves that the world hates stealing. A compulsory law compelling cheerfulness—forcing a banker to smile and compelling a professor to stop talking—would fail of its end. But it is at least something to know what's wrong with us.

(DR. LEACOCK is a well known writer of books and articles and was formerly head of the department of Political Economy, McGill University, Montreal.)

# Collateral Loan Supervision

By DUNLAP C. CLARK

MANY banks have doubtless found themselves in recent months with loans, the stock collateral for which provides a margin less than ordinarily considered conservative and in some cases with a market value actually below the amount of the note.

Again, as in so many management problems, it is the medium sized bank in average smaller centers where the difficulty of supervising secured loans is probably greatest. Institutions primarily serving agricultural interests have comparatively few advances of this nature, and those in the principal cities have so many, including loans to brokers, that they can be segregated into a separate department, supervised directly by officers and staff who are experts in the field. In the medium sized banks, however, a fair volume is carried, and must be handled in the regular loan and discount cage.

Here, no types of collateral loans other than those secured by stocks or bonds are being considered. These may be divided into two categories, according to their nature; the first, where the collateral is the primary protection, whether or not the money is used for speculation; the second, where the collateral may be considered support supplementary to the financial statement of the borrower, usually for business purposes. It is the former type which ordinarily causes embarrassment both to the bank and the customer if it is not properly set up in the beginning.

## ONE BANK'S SETUP

OUR bank may be considered typical of the medium sized institution in the average smaller center referred to. Loans at the last call date, March 7, were made up as follows, pursuant to the classification of the Comptroller of the Currency:

Loans on collateral.....	\$1,170,221.95
Other short term loans.....	513,479.83
Real estate loans.....	683,158.67
Commercial paper.....	235,000.00
<i>Total.....</i>	<i>\$2,601,860.45</i>

It will be observed that collateral loans represent 61 per cent of short term advances, including commercial paper.

As with any loan, its quality throughout its life is largely determined at the time it is made. Obviously, a substantial margin at the start is an element of strength, discouraging the tendency of some customers to provide only the minimum required amount, though they give assurance that they "have plenty more in the safety deposit box". This can be countered by the reminder that the securities are just as safe in the bank's possession, and, in case of a market decline, both parties will avoid the inconvenience of a call for additional protection.

Regulation "U" of the Federal Reserve Board now demanding a minimum margin of 45 per cent on loans made to purchase on listed exchanges, has proved extremely helpful in these specific cases. They do not, however, govern advances for other purposes or apply to the purchase of local

stocks, many of which may enjoy markets more active and firm than certain listed ones. But we seek a broad margin for all loans, and try to avoid those where the individual has little outside responsibility.

Perhaps the best protection, we have found, is, first, to restrict advances to the borrower's ability to pay within a reasonable period, and, second, to set up a definite reduction schedule. Experience has shown that an individual may reasonably anticipate by, say, two years, his "saving income"—his excess of earnings over his living requirements, and pay off his loan regularly by this amount.

## A FOLLOW-UP SYSTEM

FOR supervision after loans are accepted, we maintain margin cards on each customer, noting separately on the same card each outstanding loan to him. The cards show the name and amount of each stock or bond, prices and extension of the figures. Where stocks are not actively traded (even though listed) they are carried at arbitrary figures somewhat below the market, because a quick sale, especially in large blocks, could probably not command the current bid price. Notation on the card of the required minimum margin facilitates calculation of the position of the loans. Ordinarily a 25 per cent minimum margin on stocks, especially where arbitrary figures are conservative, is judged safe, and 10 per cent on high grade bonds of readily marketable nature.

These cards, filed alphabetically, are reviewed once a month by the assistant cashier in charge of the discount department, or his assistant, and of course daily during a market break. Night work, as soon as complete stock market reports are available, is the rule rather than the exception, during a marked decline. Other officers and senior tellers help out on such occasions. Each revision is dated and initialed by the staff member making the calculations.

First thing the following morning, then, the "short" cards are brought up in officers' meeting and handed to those responsible for the particular loans for contact. Telephone calls have proved more effective than letters, and result in more prompt response. Customers do not resent being told of small shortages but prefer to have the amount brought to their attention before it becomes large. This is expected by them in line with their agreement at the time they made the loan.

Valuable supplementary records in the discount department are the "concentration cards". One is given over to each security in the collateral files, with the names of the borrowers and the number of such shares or par value of such bonds lodged by them recorded. These provide ready reference to the specific margin cards involved, should any particular security decline markedly without a general recession which would demand a review of all cards.

(MR. CLARK is president of the American National Bank of Kalamazoo, Michigan. His articles appear frequently in BANKING.)

# The Investor's Dilemma

By EDWARD K. WOODWORTH

THE conditions under which institutional investors are forced to carry on today are highly uncertain. In this respect, we are by no means alone. The difficulties in the way of safe and profitable investment of the capital committed to our care are shared by everyone charged with the responsibility of managing their own or other people's affairs. The problems of government and business and of the relations between these two interdependent aspects of our common life seem greater than the human capacities available for their immediate and wise solution. More than ever before, at least so it seems, the business of investing other people's money is affected by what is happening in other fields, economic and governmental.

Among our special troubles is the fact that the supply of bonds suitable to our needs, other than the Government's, has become increasingly limited. The Treasury has informed us that we may have seen the last public offering of Government bonds for a generation; while there may be grave doubt as to whether this prophecy will prove true, it is a reasonable assumption that such issues in the future will be small in comparison with the past. The railroad business, once a favorite field for institutional investment, at the moment seems unattractive. Studies of prospective earnings, based on the recent rate action of the Interstate Commerce Commission, at various traffic levels, arrive at widely different results, some confident, some merely hopeful and some deeply pessimistic.

## HOW THE UTILITIES' PROSPECTS HINGE

THE future of the public utilities, to some degree at least, depends upon the attitude of the people as expressed through their representatives and the general prosperity of the country. If reasonably good sense prevails in the relations between the well managed companies and various governmental agencies, the bonds of electric and telephone companies should continue to be satisfactory credit risks. The amount of future offerings will depend, of course, on the extent of the future expansion of these and other industries. So far they have proved more immune to depressions than almost any class of industrial securities. In the mortgage field, as we all know, the agencies of the Government have made it increasingly difficult to find satisfactory loans, but no doubt good mortgages are still worth going after.

During the past three years attention has been called to what seemed, from time to time, to be the more important changes in conditions affecting our special business. Among them was the decline in the loan or "hire" value of money, the resulting rise in the market value of bonds of every class possessing any degree of investment merit, and the refunding of billions of dollars of bonds at rates so low and for terms so long as to make it practically impossible to obtain a satisfactory yield without substantial risk of capital loss. It has become impossible to find safe and profitable use for investment funds on a short term basis, among the reasons being the easy money policy of the Government and the creation

of bank deposits through borrowing. An increase of, say, from  $3\frac{1}{2}$  per cent to  $4\frac{1}{2}$  per cent in yield on 30-year bonds means a decline of about 17 points in market value. The artificial control of money and credit has a direct bearing upon problems of institutional investment. Government borrowing and spending on an unprecedented scale, together with other inflationary action, reduced the purchasing power of a bond coupon, while at the same time the price of high-grade bonds soared to unprecedented levels. The explanation lay, in part at least, in the fundamental difference between money and capital which made possible a bank credit inflation which outstripped commodity price inflation. We might call attention to the prediction of Mr. Eccles that, "Looking ahead for some years I see no reason to expect that, on the average, long term interest rates will increase materially beyond prevailing levels." It might be added that easy money seems to be a cardinal principle in the program for achieving economic stability.

## COMPETITION BETWEEN DOLLARS

THERE is a difference between capital and money and also a close relationship between the two. The importance of the matter for investors is that while capital represents savings and money may represent borrowing, the dollars resulting from either are equally investible and are in competition, each with the other, for high grade investments. Savings bankers must invest a part of the savings—that is to say, capital—committed to their care in short term bonds or notes. So also must the managers of commercial banks invest a large part of the deposits which result, directly or indirectly, from borrowing in the same kind of securities. The competition between dollars saved and dollars borrowed has reduced the yield on short term credits almost to the vanishing point; the same is true, but of course in lesser degree, of high grade bonds of longer maturities. The Government, which is responsible for large increases in commercial bank deposits, has made huge issues of Government bonds available for investment. However, a substantial amount of these Government bonds has been purchased by savings banks and other investors and the ratio of total deposits in commercial banks to total loans and investments so far has expanded sufficiently to keep prices up and yields down. While we are not prepared to recommend it as an infallible guide, the charts seem to show that the price of high grade bonds goes up as this ratio between total deposits and loans and investments continues to rise. Recently, however, there has been some decline in Government bond prices notwithstanding relative stability in the deposits to loans and investments ratio, and an actual increase in the ratio of member bank reserves to total reserve bank credit. The explanation probably lies, in part, in the March 15 tax payments and the retirement of treasury bills and, in part, in a decline in sympathy with declines in other high grade bonds.

The tools for regulating the supply of dollars, including among other things the sterilization and desterilization of



gold and the deposit of Treasury funds, are readily available, and the fact remains that under prevailing conditions the investment value of savings dollars depends in large degree upon the supply of dollars which, in turn, depends largely upon the policies of the money managers. The result of the policy of trying to spend our way out of the depression has been a depletion or dilution of capital of serious proportions, the importance of which can hardly be over-emphasized.

#### AMERICANS ARE NATURALLY THRIFTY

IT is not our business, as savings bankers, to "talk politics" in a partisan sense, but there is no use in blinking the appalling fact that in spite of the borrowing and spending by the Federal Government of some 18 billion dollars more than it has taken in during the past five years, the current month finds us, as one commentator puts it, with business sentiment, confidence and psychology at a new 6-year low.

Our problems are inseparably linked with the fortunes of all kinds of business enterprise. This, of course, has always been true. Savings banks have prospered because on the whole the country has prospered. Until comparatively recently the American people have been pioneers in a country rich in natural resources. They have been thrifty even though the rich rewards of their industry have enabled them to be prodigal. Amid such conditions savings banks have grown strong. The margin between the bare subsistence level and what we like to call the American standard of living is far wider than similar margins in other countries. The degree of our prosperity has been and will continue to be in direct proportion to the width of this margin. And this, of course, depends upon the volume of the exchange of goods and services commonly called business.

#### UNWISE PRACTICES

WITHOUT entering the field of party politics, one may venture the opinion that the margin just referred to has been narrowed, and must remain for some time restricted, because of erroneous conceptions and practices of the present Administration. The special interest of savings bankers has to do with the effect of these policies on new investments of capital. Many will agree with Professor Hansen of the Graduate School of Public Administration at Harvard when he says that "The failure of new investment in this recovery is due in large part to a tendency to push costs up higher than the level of income justifies." Further on in his address before the Academy of Political Science on November 10, 1937, Professor Hansen says:

"The administration, and with it public opinion, has never faced the utter fallacy of trying to boost income, output and employment by raising costs. The question may well be asked whether certain types of Federal expenditures have not in large part had the effect of boosting costs when the real purpose was to increase income and employment. We have apparently yet to learn the lesson that high wage rates do not of themselves guarantee a high labor income and full employment. We have too often put the cart before the horse. The all-important desiderata are total income and employment. Had governmental expenditures been combined with a planned program of cost reduction, there might have followed an expansion of income and employment not only via a stimulation of consumption, but also via a stimulation of new investment. This program we have not adequately achieved, and now that the consumption stimulus is being withdrawn, the forbiddingly high level of costs renders it difficult for investment to hold back the receding tide.

Thus we are left without the necessary volume of total expenditures, whether for consumption or investment, to carry us on toward full recovery."

An impediment to the employment opportunity for labor and the profit opportunity for capital is illustrated in the T.V.A. experiment. This project was to serve not only as an object lesson in beneficent paternalism, but also as a part of the pump-priming policy of creating consumer purchasing power and so starting an upward spiral in industrial activity. As we understand it, the policy of pump-priming, which involves borrowing and spending, carries with it the corollary that private investment will assume the burden, and so keep the exchange of goods and services going, at the earliest possible moment. Without dwelling on the merits or demerits of the project itself or its efficacy as a pump-primer, it may be said without fear of contradiction that the treatment accorded those whose money had lawfully and properly created tremendous values in properties serving well the territory concerned was destroying the confidence essential to private investment simultaneously with the pump-priming expenditures. The justification for pump-priming was faith in the revival of capital investment. Confidence is a prerequisite to such investment.

#### CAPITAL SEEKS SAFETY

WHILE it cannot be proved that private investment would have taken up the burden, had our affairs been wisely managed, and carried us through to a satisfactory recovery, it cannot be doubted that whatever chance price boosting and pump-priming activities had of success was largely lost by simultaneous action which greatly impaired, if it did not destroy, confidence in the Administration's attitude toward capital investment. By its words and acts the Administration showed that it had little regard for the capital which had provided the territory immediately concerned with excellent service at reasonable rates. If capital was frightened, it was because while water was being poured on to the plunger the intake was being plugged.

It is obvious that investment opportunities in the future must depend upon the successful solution of the various problems upon which the welfare and happiness of our country depend. Our own satisfactions in managing the capital saved by our depositors will rise or fall with the degree to which we can restore and preserve satisfactory conditions for everyday living for all industrious and well disposed people. What lies immediately or more remotely ahead depends upon forces beyond our capacity clearly to measure or foresee. We know, however, that if we as a nation are to realize our undoubted possibilities, we must have intelligence and character, coupled with political leadership capable of providing the country with wise, able and patriotic administration of the powers of government. Such an administration would stake party supremacy on wise action rather than political expediency; it would not attempt sweeping changes in too short a time. It would foster the freedom of action which is the chief characteristic of democracy, and it would possess a degree of humility based upon a fair appraisal of human capacity in comparison with the magnitude of the task. We savings bankers should do everything in our power to further the realization of this ideal.

(MR. WOODWORTH is president of the New Hampshire Savings Bank, Concord, N. H., and Chairman of the Committee on Investments, Savings Division, American Bankers Association.)



# The Uses of Cooperation

By W. S. HILL

ON the evening of January 12, Claude L. Stout, executive vice-president and cashier of the Poudre Valley National Bank, delivered an address before the Fort Collins Retail Merchants Council in Fort Collins, Colorado. It was to have exceedingly far-reaching effects. This organization is an outgrowth of the former Chamber of Commerce Retail Merchants Promotion Committee, differing from the latter only in one respect. Any merchant may become a member of the Retail Merchants Council merely upon payment of the annual dues, while membership in the promotion committee was restricted to merchants who were members of the chamber of commerce. The council meets regularly once each month, with appropriate programs arranged by the members. The friendly, cooperative spirit existing between the two banks in Fort Collins was evidenced by the presence of L. B. McBride, cashier of the First National Bank, on the speaker's platform with Mr. Stout. Mr. McBride supported the recommendations of Mr. Stout and emphasized the need for more careful supervision of credits.

The speaker presented the details of our credit structure and stressed the importance of greater care in the extension of credit. He pointed out the dangers in our present system and the need for better organization and closer cooperation between the businessmen and the financial institutions of the city.

As a result of this address, so much interest and enthusiasm were aroused that a special committee was appointed by the president of the Merchants Council to work out a plan whereby all of the various professional, commercial and industrial interests of the community would cooperate in improving credit conditions. The first problem confronting this committee was the establishment of a satisfactory and workable credit exchange. The local credit bureau, owned and operated by Roy West, had been providing a reasonably dependable service, as credit bureaus would be rated, and covered a fair cross section of the community. Some 166 patrons or subscribers drew information and a few of the subscribers submitted a fairly complete check of their credit records.

## ESTABLISHED BUREAU UTILIZED

THE committee determined it would be more practical to work with Mr. West rather than to organize an entirely new exchange. Their problem, then, was the reorganization and adjustment of the present bureau, broadening its scope and bringing it into closer relationship with local business and professional interests. Accordingly, Mr. West agreed, after some deliberation, to a plan whereby the council should elect a board of advisors, consisting of five local businessmen and one representative from each bank, seven in all. This board has the authority to confer with the bureau manager for the purpose of improving and increasing the efficiency and the extent of his services, to advise with him as to rates and charges, and also to inspect the files and records and in other ways assist him in directing the credit bureau to the best

advantage of business interests in the community as well as himself.

The next step was to conduct a series of group meetings, which presented a great many difficulties. So far as we knew, no such effort had ever been made to provide an incentive for those engaged in similar lines to meet with their competitors and discuss mutual problems. Through the cooperation of the First National Bank and the Poudre Valley National Bank with the Retail Merchants Council, we were able to hold some 14 group meetings. It was estimated over 75 per cent of all business and professional men in this community attended these sessions.

Without the complete cooperation and assistance of the two banks, it would have been a futile undertaking, if not a physical impossibility, to have attempted to arrange these various group meetings. The results were highly satisfactory, as indicated by the fact that more than 56 grocers and their employees attended the grocerymen's meeting, and some 82 attended the filling station, auto supply, and garage owners' meeting. Professional men as well as other business interests were invited and persuaded to attend. Doctors, dentists and lawyers found the discussions and questions practical and applicable to their own credit problems.

## MEETINGS CAREFULLY PLANNED

OUR plan was to have our meetings well in hand, each member of the committee having his particular part to perform. When he found it impossible to attend, it was his responsibility to select a substitute, train him in the presentation of his subject, and see that his part of the program was properly presented. The opening talk was given by Mr. Stout, who presented the material contained in his original address. Following him, Mr. McBride summed up the benefits to be derived from cooperation. Then other members of the committee who were familiar with retail credit organizations in other localities, discussed the question from that angle. For instance, E. P. Montony, a local dairy manufacturer and dealer, outlined his experience with the Denver Retail Credit Association, and called attention to the value of cooperation among dairy retailers. Archer Johnston, an electrical contractor and dealer, explained in detail the proposed contract with the Fort Collins Credit Bureau.

The statement made by a local merchant that his losses for 50 years in the retail business amounted to more than \$30,000, was an eye-opener to some of the younger businessmen. Another interesting statement was the fact that the poor credit risks for one line of business were found to be the same who were poor credit risks for other lines.

During the period of the group meetings and since the setting up of this revised credit program, the bureau's membership has increased from 166 to about 245. One of the most unexpected developments was the fact that some 20 firms who are not members have sent their credit ratings to the bureau—something new in credit bureau records.

The cash merchant was likewise interested in a credit

association, because it was definitely shown that credit losses affect the entire community. If one group, collectively, loses a large amount of money annually, then they and their families have proportionately less to spend elsewhere.

Another interesting phase of the meetings was the frankness displayed in open discussions between businessmen and the local banks. Undoubtedly our banks, through their budget system for farmers, are in a position to assist the local merchants in their credit advances in a way absolutely impossible without some organization through which this credit information may be secured. At the same time, it is essential that this information be kept strictly and absolutely confidential. It was the consensus of opinion of practically every group that the actual credit losses in this community could be cut to a minimum by the close cooperation of the two local banks and the businessmen of the community. From information disclosed at these meetings, most of it based on actual figures, this community sustains an actual loss of more than \$250,000 annually. If a properly organized and operated credit bureau could eliminate only 50 per cent of this loss, its value would be unquestioned.

At the present time we are too close to these meetings to evaluate their benefit either to the community or to the institutions taking part in the program, but this much we have learned, that in no other plan of meetings have we been able in this community to bring about the fair minded and open discussions of the businessmen's, the bankers' and the

*At the direction and under the authority of the Retail Merchants Council of Fort Collins, a series of eleven meetings of persons representing the business and professional interests of the city were held as follows:*

Date	Group	Place of Meeting	Number Attending
1-28-38	Hardware stores, plumbing and heating, farm implements, electrical goods, harness shops, lumber, grain, coal, feed and transfer	Directors' room at the First National Bank	45
2-1-38	Clothing and department stores, ladies' wear, dry goods and shoes	Directors' room at the First National Bank	14
2-2-38	Cleaners and dyers, tailors, laundries and furniture	Directors' room at the First National Bank	14
2-3-38	Groceries, bakeries and meats	Directors' room at the First National Bank	56
2-4-38	Florists, nurseries, drug stores, jewelry stores, books, photographers, novelty stores, welding, machinists, blacksmiths and hatcheries	Directors' room at the First National Bank	21
2-7-38	Auto supplies, garages, glass and cycle, gas and oil (bulk and retail)	Directors' room at the First National Bank	82
2-8-38	Dairymen	Chamber of Commerce	12
2-9-38	Real estate and insurance	Directors' room at the First National Bank	12
2-15-38	Barber shops and beauty parlors, lawyers, hotels, printing and newspapers, restaurants, chiropractors, and chiroprodists; also miscellaneous group	Directors' room at the First National Bank	14
2-23-38	Dentists	Directors' room at the First National Bank	20
2-25-38	Physicians	Directors' room at the First National Bank	15

farmers' problems, in terms easily understood by all parties interested. Usually there are a few on the fringe who are determined to find fault, to oppose any movement, but in these meetings we did not have one such person. There has never been anything like it in this community. No other program sponsored by any group has ever compared to this in constructive results.

In the group meetings of these various business and professional men, each group selected a representative who will be the spokesman for his business or profession in the general meetings which we expect to call from time to time.

Since the setting up of this retail credit association, community-wide, we have noticed a marked increase in the spirit of cooperation between the merchants. Already 32 merchants, most of them members of the credit group, have joined together in a community sales day advertising program. Without the group meetings, teaching the methods and benefits of cooperation, this advertising program could, in my opinion, never have been promoted.

#### SIMILAR EFFORTS NEARBY

IN THE neighboring town of Loveland, a similar effort was made to improve credit conditions. The following is from *Credit Bureau News* of the Larimer County Credit Association in Loveland:

"We wish to take this opportunity to thank Mr. Stout and Mr. West and the group of merchants from Ft. Collins for coming down to Loveland some two weeks ago to lend their support to this movement to bring about closer relations between businessmen of the entire county. Their ideas and logic were sound and quickly 'caught on' with the leading merchants here.

"Immediately a group of 15 merchants were selected by Dale Huston, chairman of the Retail Merchants Council of the Chamber of Commerce, to study the needs for better cooperation. A committee of five was selected from this group, consisting of Mr. Handy, *chairman*, Mr. King, Mr. Gregg, Mr. Michener and Mr. B. L. Bonnell. To this Advisory Council belongs much of the credit for conducting a very successful campaign, by holding meetings the past several nights, and for giving generously of their time and efforts to build a bigger and better credit bureau for Loveland. . . .

"We take this means of thanking all members of the Advisory Council who met with every group, and also the committee members in each group who gave their time to contact personally every merchant, urging them to attend these meetings.

"Let us not forget to continue the enthusiasm generated by these meetings. The substantial increase in membership is evidence of the success thus far, but we will not consider our job well done until we have 100 per cent membership and 100 per cent cooperation in Loveland. Our slogan now is 'Every member get a member'."

At Longmont, Colorado, Mr. McBride, Mr. Stout and I aided in setting up a similar program.

In this period of intensive competition between businessmen, it seems to me we should find some interesting activity wherein we may all unite in cooperative efforts beneficial to the entire community, thereby emphasizing the things we may agree upon and minimizing, for a time at least, our differences.

(Mr. Hill is president of both the Fort Collins Retail Merchants Council and the Colorado Retail Council.)



INTERNATIONAL

# The Month

## THE JUDICIAL OFFICE

Speaking before the American Law Institute, Chief Justice Hughes urged Federal administrative agencies "to discharge their responsibilities with impartiality and independence which is associated with the judicial office." He said: "I notice that there is a tendency, in the desire to emphasize the importance of obtaining flexibility and expertness in particular classes of cases, to deprecate the work of the courts and by comparison to exalt the administrative boards and commissions. Such efforts are short-sighted and are not in the interest of the suitable development of administrative agencies. It must be remembered that to the courts the community still looks for the standards of judicial conduct." He stated that: "Still the prime necessity in making the judicial machinery work to the best advantage is the able and industrious judge, qualified by training experience and temperament for his office." *Left, the Chief Justice with George Wharton Pepper, president of the American Law Institute*



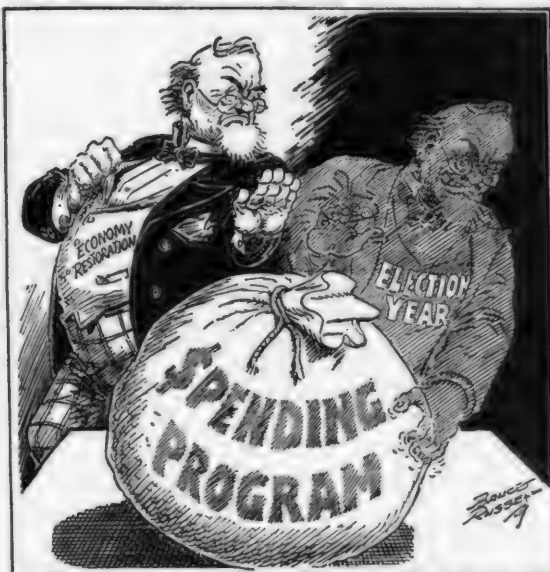
WIDE WORLD

## WHAT GOVERNMENT SHOULD BE

A White House spokesman characterized the recent meeting of the President and Henry Ford as "just a pleasant family meeting such as might have taken place at a wayside inn." Mr. Ford said afterward: "The Government should be the policeman to exercise only that power necessary to maintain an orderly method of living. It should be the policeman for all business."

## SPENDING

The cartoon below was captioned "Dr. Jekyll and Congressman Hyde". New estimates for the fiscal year starting next July 1 indicate a possible deficit of up to five billions, depending on the extent of the relief program. The W.P.A. wants \$3,000,000,000



RUSSELL IN THE LOS ANGELES TIMES



#### CHAMBER OF COMMERCE

Some 2,000 business men attended the 26th annual meeting of the United States Chamber of Commerce in Washington. Numerous bankers were present, among them the two in the picture at the left. *Left to right*, Edward E. Brown, president, First National Bank, Chicago; S. Clay Williams, president, R. J. Reynolds Tobacco Co.; Lewis E. Pierson, chairman, Irving Trust Co., New York, and former president of both the American Bankers Association and the U. S. Chamber of Commerce. Mr. Brown spoke to the Chamber on bank and Government lending. He is the author of an article on this subject to appear in July **BANKING**

NEWSPHOTOS

#### MUTUAL SAVINGS BANKS

The National Association of Mutual Savings Banks held its 1938 conference in New York City. In the picture at the right are Andrew Mills, Jr., president of the Dry Dock Savings Institution, New York, and of the Savings Banks Association of the State of New York; Professor E. W. Kemmerer of Princeton University, one of the principal speakers; and Henry R. Kinsey, president of the Williamsburgh Savings Bank, Brooklyn, and of the national association



NEWSPHOTOS

#### CHANGING TIMES

William McC. Martin, Jr., took over the chairmanship of the New York Stock Exchange on May 16. At the first meeting of the new board of governors he said: "The spirit and purpose of the reorganization [of the Exchange] has been to provide a simpler, more efficient and more democratic structure, adapted to changing times and conditions."



NEWSPHOTOS BY PAT TERRY



WIDE WORLD

**AIR STRENGTH**—Air games were held by the United States Army over Long Island and surrounding territory, which, according to press reports, taught the Air Corps much of flying strategy, including the fact that we still have considerable to learn. Feature of the games was the first American "blackout" for a night raid. *Above*, Major General Andrews and other officers



## CHICAGO FINDS 91,000 PERSONS IN DIREST NEED

Limited Food Rations Are  
Their Only Protection  
Against Starvation.

## MAY 15 FINAL PLOW-UP DATE

20 Per Cent Of Wheat  
Land Must Be  
Diverted

Notice was given to all county farmers this week that all those who need to plow up planted wheat in order to comply with the AAA program should do this not later than May 15.

ECONOMICS? — The upper clipping is from a metropolitan paper, the lower one from a rural daily of almost the same date

### DICTATORS ARE SENSITIVE

A holiday for salutes took place recently in Rome. Right, three popular versions—Fascist, Nazi and monarchical. The Queen didn't salute at all. Secretary of War Woodring having recently said that the currently pacifistic democracies might be goaded too far, Mussolini indignantly countered with the statement that in case of war "totalitarian states will immediately form a bloc and march together to the end." His wildly cheered utterances confirmed rumors that an Italo-German defensive alliance had been concluded during Hitler's Rome visit



GOVERNMENT RADIO STATION—Private broadcasting interests were disturbed by the proposal to build a Federal radio station in California to broadcast "good-will" programs to Central and South America. A bill to accomplish this purpose was introduced by Representative Celler (above, right, talking with E. K. Jett, chief engineer, Federal Communications Commission). Able testimony against the bill and Capitol Hill misgivings have shelved it temporarily



WIDE WORLD



### COOPERATION AND CREDIT

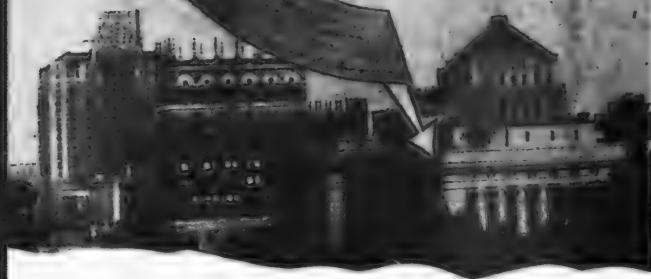
John W. Hanes (with Secretary Morgenthau in the picture at the left) obtained a statement from 16 prominent industrialists pledging the fullest cooperation in bringing about recovery. At that time Mr. Hanes was a member of the Securities and Exchange Commission. Since then he has been nominated for the post of Assistant Secretary of the Treasury.

Testifying on a bill that would increase to \$45,000,000,000 the \$25,000,000,000 Federal bond issue limit set by the Second Liberty Loan authorization, Secretary Morgenthau recently said that "the credit of the Government is as high or higher than it has ever been."

INTERNATIONAL

June 1938

# The Flight of a Check



**A CHECK IS WRITTEN**—This young lady is buying a dress at Miller & Rhoads, for which she gives a check. —Detroit beat—



**THE SLIGHT STARTS**—The check is given to the cashier at the State-Planters Bank and Trust Company. It takes a moment to get it.

## An Educational Tour

Accompanied by a full page of pictures in a recent issue of the Richmond (Va.) *Times-Dispatch*, there appeared the odyssey of a check that passed through the State-Planters Bank and Trust Company of Richmond. Starting with the three pictures above—the Richmond Federal Reserve Bank, the young lady who wrote the check and the one who presented it—an interesting and instructive story was written around the following pictures of a bank's interior operation



The transit department, where checks are sorted according to location of drawee. The story related how 7,905,236 checks passed over this desk last year



Bank employees and their modern business machines in the process of "proving" checks



Left, photographic recording on a small film is part of each check's adventure. The film is retained as a permanent record by the bank, and in case a check becomes lost—

—it can be reproduced in its original size on a screen (right). This banking service, the Richmond story pointed out, has been of inestimable value to customers who have misplaced their cancelled checks





Each day representatives of the eight Richmond banks which comprise the clearing-house meet to exchange checks drawn on each other by their depositors



"On us" checks are sorted according to depositors' names en route to the bookkeepers



A section of the bookkeeping department. Last year each bookkeeper had an average of 310,000 entries



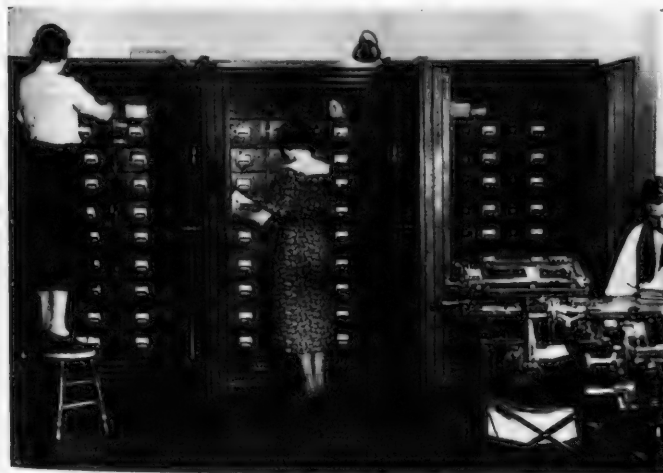
An unusual picture of a bookkeeper posting his accounts



The last machine through which a check passes perforates "PAID"

The last phase of the process within the bank is the filing of the check until time for its delivery to its signer at the end of the month

At the end of the month each depositor receives a statement and his month's output of cancelled checks



# Counterfeit Detection



NEWSPHOTOS

**I**N New York City the Federal Secret Service has been conducting classes for the purpose of teaching the public how to detect counterfeit notes. A program has been planned by the Treasury Department which will eventually reach all important centers.

Large reproductions of paper currency are set up in the classroom and instructors point out the characteristics that will most quickly differentiate the good from the bad. Specimens are passed along the rows (*lower left*) for a better look.

In the printed leaflets issued to members of the classes and to retail establishments descriptions of widely circulated counter-

feit notes are given, together with some simple rules to follow when a spurious note is detected. The most important thing to remember, the leaflets indicate, is not to return the note to the customer.

It has been announced that banks and large business establishments can have special instruction given for the benefit of their employees.

In recent years banks and other innocent takers have returned to the Treasury packets of counterfeit paper and coins (*below, right*) with a face value varying annually from half a million to a million and a half dollars.



NEWSPHOTOS



NEWSPHOTOS

BANKING





CULVER SERVICE

Counterfeit money, familiarly known as "boodle", has been manufactured as long, practically, as the acceptable kind. The exactness with which governments manufacture their money in modern times, however, gives the counterfeiter something to live up to. *Left*, a doubtful storekeeper. *Right*, a domestic scene reproduced in the *National Police Gazette* of the 80's. The two ladies are in the process of making money as an officer walks in.

*Below*, one of the recent New York classes



CULVER SERVICE



INTERNATIONAL

*Below*, Julian T. Baher of the Secret Service in Washington, whose special duties involve counterfeit detection

*Below*, Frank J. Wilson, chief of the Secret Service, which is a branch of the Treasury Department



NEWSPHOTOS



NEWSPHOTOS

# Gold Has Seen Better Days

PROFESSOR E. E. AGGER points out in his article on page 24 that various authorities are suggesting, some urging, that we need a more scientific standard than gold for the world's money. One can almost hear the economists sigh with resignation as they begin the long search for a substitute, for gold, since historic times, has seemed the most fitting and stable measure of wealth. Alex. Del Mar, in his *History of the Precious Metals*, goes so far as to say that "gold must have been the earliest metal known to man; and its use, first for purposes of ornament and afterwards as a universal, intertribal and international article of barter (not money) long preceded the like use of silver or copper."

The ancients regarded gold as the chief symbol of wealth and fabulous adventure. The search by Jason and his Argonauts for the Golden Fleece, constantly guarded by a sleepless dragon (right), is only one of many early stories. The Golden Apples of the Hesperides figure in the adventures of Hercules, and the moral tale of King Midas is well known. While many of these Greek adventurers were not in search of fleeces and apples for barter purposes, the recurrence of the word "golden" shows with what regard early peoples looked on the metal, certain tribes holding it sacred



NEW YORK PUBLIC LIBRARY

In other parts of the world, the simple natives took a more utilitarian view of the metals. Pizarro found in South and Central America that copper was more valued than gold, and the natives were at a loss to understand why the foreigners, possessing such a fine commodity as glass, should come seeking a gaudy yellow metal. However, Pizarro, Cortes (left) and others are credited with killing more than 15,000,000 natives during 40 years of gold seeking and "discovery". Below, two 15th century merchants, portrayed by a contemporary painter who stressed their avariciousness



NEW YORK PUBLIC LIBRARY



CULVER SERVICE  
BANKING



CULVER SERVICE

J. W. Marshall

American history took a sudden turn at the discovery made by J. W. Marshall (above) in 1848. It was he who found gold at Sutter's Mill in California. Fortunately for the United States, California had been acquired from Mexico before this event. The rush brought 80,000 people to the coast in 1849, half of them overland. From April 1, 1849 to the end of the year, 700 vessels entered San Francisco harbor. In two years the population had become 30,000, and another 50,000 people had passed through the city. An abundance of banks (above, right) and other institutions had sprung up, and wages had been as high as \$20 a day. For the next 50 years, our monetary history was a jumble of currency-tinkering measures, gold-silver ratios, and ill-advised politico-economic schemes aimed to "do something" for one metal or the other. The Nast cartoon below is of this period



CULVER SERVICE

A banking house in the Far West about 75 years ago



BROWN BROS.

"The Great Commoner"

Two important features of the last years of the century were the Bryan crusade for silver and the discovery of gold in Alaska. These were the closing events of a half century of exciting monetary history. We adopted the Gold Standard Act in 1900

"The Survival of the Fittest"

Dawson City, Alaska, in 1898



T. F. HEALY COLLECTION

June 1938



BROWN BROS.

Money tinkering and the new gold supplies had not dulled the reputation of the metal as a monetary standard when the Federal Reserve Act was passed in 1913. The original act provided that: "Every Federal Reserve bank shall maintain reserves in gold or lawful money of not less than thirty-five per centum against its deposits and reserves in gold of not less than forty per centum against its Federal reserve notes in actual circulation. . . ." At the right, Carter Glass just after he had become Secretary of the Treasury under President Wilson. Those standing are members of the House Banking and Currency Committee. Senator Glass, a member of the House in 1913, was largely responsible for passage of the Reserve Act



GALE IN THE LOS ANGELES TIMES

After the War, a gold basis was again resumed by the major countries that had abandoned it during hostilities. They clung to it until the depression of 1929 caused a general monetary upheaval. England abandoned the gold standard in September 1931 (the cartoon at the left was captioned "The Fox that Lost His Brush"). The United States left gold in April 1934 while Prime Minister MacDonald (right) was on his way to the White House to discuss various world problems with President Roosevelt



GLOBE

A series of franc devaluations and the abandonment of gold at a later date than other countries have brought the franc from its old parity of about 19 cents to its present level of just under 3 cents. (Below, a Swiss tavern keeper is crossing out the French franc prices until the unit finds its level in relation to the less volatile Swiss franc.) At the right, former French Finance Minister Bonnet (left) and present Finance Minister Marchand. The total visible gold reserves in 1937 were nearly  $2\frac{1}{2}$  times higher in value than those of 1929, and while nations are hoarding the metal as formerly, their experts are looking about for a more stable money base



INTERNATIONAL



NEWSPHOTOS  
BANKING



# Lobby Shows and Windows



Display of a local factory's furniture products in the New First National Bank, Marietta, Ohio



Peony show in the lobby of the Merchants National Bank and Trust Company, Fargo, North Dakota



Children's savings banks of various periods in the Farmers National Bank, Salina, Kansas



The city's Little Theater advertised in the window of the McDowell National Bank, Sharon, Pennsylvania



Safe deposit advertisement, Denver (Colo.) National Bank



In the Hackley Union National Bank, Muskegon, Mich. (formerly Union National)



Toy banks, Easton National Bank, Easton, Pennsylvania

# Building Home Sweet Home

A Few of the Many Bank Advertisements That Have Appeared Since the F.H.A. Again Undertook Modernization Loan Guaranty



**BANK of AMERICA**

**RESCRIPT**  
**OR A RUN**  
**HOUSE:**

**PRESTO!**



Modernize under F.H.A.

If you own a house or other property which needs repair or improvement, spring and summer are the best times to administer the "tonic" of modernization. Bank of America modernization financing under F.H.A. enables you to make any type of repair or improvement and pay for it in convenient monthly installments.

**Bank of America**  
NATIONAL TRUST AND SAVINGS  
MEMBER FEDERAL DEPOSIT INS.

Complete Service on Title I. F.H.A. LOANS

Under Title I of the F.H.A. Act, owners of improved property, business or residential, may borrow in amounts from \$100.00 to \$10,000.00 for needed modernization, improvements and repairs. The terms are exceptionally liberal with up to three years to repay.

As under the original Act, U.P. National offers complete specialized facilities and a trained personnel for the prompt, efficient servicing of eligible types of F.H.A. Title I Loans. Inquiries and applications are invited at our three banking rooms.

**UNION PLANTERS NATIONAL**



**NO REALTORS, Little for Your Profit**

Your real estate has "use value" as a business property or home. It also has market value. You consider its market value an asset, borrow money on it, include it in computing your net worth. But, without active realtors, your real estate would have a much lower market value; you would have difficulty in borrowing on it; it would be a financial asset.

Real estate buyers, bring your property to the bank. The bank will put over special quick handling consent, the walls are well insulated.

**COMMERCE UNION BANK**  
MAIN OFFICE: THIRD AVE. N. AT UNION ST. - BLDG.



**"All made of Material Grandfather Never Heard of"**

Building Supply Dealers Offer New Modernization Opportunities

"HERE, son, is a room that will help you and your pals off the street corners, make our house a real home, and it's in our old attic, once a useless place for storing odds and ends, and collecting dust."

"There's insulation in the roof to keep it cool up here, that ceiling is made of composition board, the shingles are put over special quick handling consent, the walls are well insulated."

Wood, but backed with fabric and cemented to the back board, the floors are soundproofed and covered with tough linoleum. Your grandfather never had any of these things to put into his house."

Building supply dealers, and the firms whose products they distribute, have revolutionized building. When you repair and modernize now, you can have convenience, put beauty and

**COMMERCE UNION BANK • BROADWAY NATIONAL BANK**  
MAIN OFFICE: THIRD AVE. N. AT UNION ST. - BLDG. 421 BROADWAY - BLDG. 421  
BROADWAY AT THIRD - 7TH FLOOR  
CONSUMERS' SAVINGS OFFICE AT CHURCH - 145 FIFTH AVENUE - GALEN - 11TH FLOOR

**Transform that home through Magic of Modernization**

Modernize through a Time Repay on long-term loan

Transform that ugly basement into an attractive game room. Have an immaculate modern kitchen. Re-style that old bathroom. Add a sun room. Repair, repaint, re-roof, remodel, brighten up! The approach of spring suggests modernization on an easy, long-time basis—through a Bank of America loan.

**Bank of America**  
NATIONAL TRUST AND SAVINGS

**Once More Modernization Loans!**

We are again permitted by law, to make these helpful loans for home improvement.

Come in and discuss your re-modeling needs for Spring.

**The Plainfield Trust Company**

Member Federal Reserve System  
Member Federal Deposit Insurance Corporation

**Now Available F. H. A. LOANS**

Made In Cooperation With  
**The United States Government**

Loans are now being made by the American National Bank under authority of the National Housing Act for modernizing, altering and repairing homes, apartments and business houses.

Improve the beauty and comfort of your home or add to the rental value of your property this Spring while these government plan loans are available.

Talk with any officer or branch manager of this bank NOW concerning your desires.

**Quick Facts Regarding F.H.A. Loans**

SIZE OF LOAN: \$100 to \$10,000 depending upon purpose.

SECURITY REQUIRED: None, other than the apt nature of owner.

WHEN FUNDS ARE AVAILABLE: Within 24 hours after deposit.

HOW REPAYED: 12 to 36 equal monthly payments.

**Purposes for which Loans May Be Used**

Any structural alteration or repair of existing home. Improvements such as widening, repaving, painting and papering, building of new porches and driveways, building of elevators, fire escapes, heating, lighting, plumbing, electrical or air conditioning systems, walls, window shades, etc. Building or installing mobile, liquid, chain, cupboards, etc. Also for the erection of buildings such as garages, barns, etc.

**ELIGIBLE IMPROVEMENTS TO PROPERTY**



WE ARE ALL unconsciously influenced by our daily surroundings. Up-to-date home equipment, providing comfort and convenience, promotes family happiness and, under the government F.H.A. plan, is within the reach of all.

The free book pictured here tells what repairs, alterations and additions may be made to your home which the government considers eligible for financing with F.H.A. modernization and improvement loans. These loans, repayable in convenient monthly installments over a period up to three years are available at Fidelity Union.

This book should be studied before you make your Spring plans. Sent free. Write for it, today. Use the coupon below.

**Time Sales Department**  
241 SPRINGFIELD AVENUE, COR. BILKENT AVENUE

**FIDELITY UNION Trust Company**  
New Jersey

MEMBER FEDERAL RESERVE SYSTEM

# Try LEVERAGE



The "permanent" mortgage is apt to stay permanent unless a systematic plan is adopted to dial out.

Our BUDGET MORTGAGE provides such a

Let us know your requirements and we shall be able to tell you promptly whether your property is eligible for a Budget Mortgage, or whether you might more properly finance under the F.H.A.

Write or call for information.

**PASSAIC NATIONAL BANK AND TRUST COMPANY**

## WHEN THE JONESES ... WHAT DO THEY

Quite properly, you're not trying to be the Joneses. But you want to be the persistence of your home, however many. Do the Joneses and other callers begin point, notice poor heating and very antiquated bathroom? It's been hard to "keep it up." But it's costly to let it may be easier than you think to improve your home with a Cleveland loan. Repayment can be made in small amounts, spread over 2 years or more. Protect your ownership. Make your home more liveable. Check the list of possible improvements listed in this advertisement. Consult now. Then ask for F.H.A. loan details at Cleveland Trust Bank.

**The Cleveland Trust Company**

## TAKE A GOOD LOOK AT YOUR HOME

You can repair and improve your home with an easy-payment Cleveland Trust F.H.A. loan.

Protect your ownership. Make your home more liveable. Check the list of possible improvements listed in this advertisement. Consult your contractor. Then ask for F.H.A. loan details at your nearest Cleveland Trust Bank.

**The Cleveland Trust Company**

## Borrowing to Make Repairs

To property is frequently the soundest kind of business because the cost of the loan is more than offset by the saving on depreciation.

DAUPHIN DEPOSIT is making loans for repairs and improvements to business and residential property on the F.H.A. plan of a 5% annual discount. The borrower's signature is the only security required.

Builders and contractors, as well as individual property owners, are invited to see us about this service.



**Dauphin Deposit Trust Company**  
MEMBER FEDERAL RESERVE SYSTEM  
Hartford, Conn.

## F. H. A. LOANS —

for building  
repairing  
modernizing



If you have in mind buying or building a new home, or improving and modernizing your present home or business property, come in and talk over your plans with us.

We are making F. H. A. loans for the above mentioned purposes — in accordance with the regulations of the National Housing Act — on properties located in Jacksonville and its Beaches. These loans are extended over a liberal period of time, at moderate rates of interest, and on a convenient repayment plan of equal monthly installments.

We welcome applications for desirable loans of this type, and will gladly furnish full particulars upon request.

**The ATLANTIC NATIONAL BANK**  
OF JACKSONVILLE

## How to Borrow

FOR A HOME

Building ... Buying ...  
Remodeling ... Refinancing

THE First National Bank offers mortgage loans at reasonable rates. There are no commissions, service charges other fees to pay.

Payments may be made conveniently like rent.

We invite you to come in and discuss your plans with one of our officers, confidence, and without obligation.

## MODERNIZATION LOANS

UNDER TITLE I, F.H.A.

MONTHLY COST OF  
5% DISCOUNT LOANS

36 MONTHS		60 MONTHS		90 MONTHS	
Amount of Loan	Monthly Payment	Amount of Loan	Monthly Payment	Amount of Loan	Monthly Payment
\$1,000	\$28.75	\$1,000	\$20.00	\$1,000	\$15.00
\$2,000	\$57.50	\$2,000	\$40.00	\$2,000	\$30.00
\$3,000	\$86.25	\$3,000	\$60.00	\$3,000	\$45.00
\$4,000	\$115.00	\$4,000	\$80.00	\$4,000	\$60.00
\$5,000	\$143.75	\$5,000	\$100.00	\$5,000	\$75.00
\$6,000	\$172.50	\$6,000	\$120.00	\$6,000	\$90.00
\$7,000	\$201.25	\$7,000	\$140.00	\$7,000	\$105.00
\$8,000	\$230.00	\$8,000	\$160.00	\$8,000	\$120.00
\$9,000	\$258.75	\$9,000	\$180.00	\$9,000	\$135.00
\$10,000	\$287.50	\$10,000	\$200.00	\$10,000	\$150.00

36 MONTHS		60 MONTHS		90 MONTHS	
Amount of Loan	Monthly Payment	Amount of Loan	Monthly Payment	Amount of Loan	Monthly Payment
\$1,000	\$28.75	\$1,000	\$20.00	\$1,000	\$15.00
\$2,000	\$57.50	\$2,000	\$40.00	\$2,000	\$30.00
\$3,000	\$86.25	\$3,000	\$60.00	\$3,000	\$45.00
\$4,000	\$115.00	\$4,000	\$80.00	\$4,000	\$60.00
\$5,000	\$143.75	\$5,000	\$100.00	\$5,000	\$75.00
\$6,000	\$172.50	\$6,000	\$120.00	\$6,000	\$90.00
\$7,000	\$201.25	\$7,000	\$140.00	\$7,000	\$105.00
\$8,000	\$230.00	\$8,000	\$160.00	\$8,000	\$120.00
\$9,000	\$258.75	\$9,000	\$180.00	\$9,000	\$135.00
\$10,000	\$287.50	\$10,000	\$200.00	\$10,000	\$150.00

**CITIZENS NATIONAL BANK**  
TRUST & SAVINGS  
OF LOS ANGELES  
Member Federal Reserve System

## FIRST NATIONAL BANK

OAKRIDGE, WISCONSIN

Now we are making  
LOANS LIKE

- \$500 to Mr. A for repainting and papering
- \$2,500 to Mr. B for building a summer home
- \$100 to Mr. C for fixing up the roof
- \$2,000 to Mr. D for erection of a fireproof safe
- \$2,000 to Mr. E for a year's round-trip travel
- \$8,500 to Mr. F for complete renovation of a house

All of these loans are new F. H. A. period of years. All are being paid off which are easy to meet.

You, too, are invited to ask us about a plan, there is no need for you to wish you can have it — easily!

You do not have to bank at Merchants National F. H. A. Loan here.

**MERCHANTS NATIONAL BANK**  
OF MOBILE, ALABAMA  
BANK BUILDING, 100 N. GULF  
MEMBER FEDERAL RESERVE SYSTEM

## "Let's fix that THIS SPRING ...

we can borrow

the money from

The First National"

Every home must have repairs to keep up its value and appearance.

This bank makes loans for just such purposes, for periods of one to three years, repayable in convenient monthly installments. You do not need to have an account here to secure a loan.



**THE FIRST NATIONAL BANK AND TRUST COMPANY**

OF NEW HAVEN  
42 CHURCH STREET AT CROWN  
MEMBER FEDERAL RESERVE SYSTEM MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION  
WEST HAVEN BRANCH 374 CAMPBELL AVENUE AT CENTER

## IDENT MORTGAGE LOAN PLANS

Industrial Trust Company is making home ownership available to Rhode Island people by loaning a substantial part of the cost.

Desirable homes are on the market at attractive prices. We have some residential and business properties on our list.



We are glad to loan money on modern homes in good neighborhoods to owners who are able to service the loans.

**INDUSTRIAL TRUST COMPANY**  
FEDERAL DEPOSIT INSURANCE CORPORATION

PROVIDENCE RHODE ISLAND BRANCH NEWPORT BOSTON

## MODERNIZATION PLAN

Simple statement showing you have a regular income

Convenient monthly installments well within the requirements detailed figures on request. Including plans, landscaping, plumbing, additions or any other business properties.

For property, it's smart to renovate — the cost is lower now!

**SEATTLE TRUST AND SAVINGS BANK**

First National Bank Building  
Second at Columbia Main 2460 1212 Third Avenue

# After Banker Hours



"INCREASED means and increased leisure are the two great civilizers of man," wrote Benjamin Disraeli. Bankers, of course, agree on the first of these points, and, as these pictures show, on the second as well. Many institutions have called attention to the interesting hobbies followed by their officers and employees, for they recognize the truth of what the physician Sir William Osler once said: "No man is really happy or safe without a hobby, and it makes precious little difference what the outside interest may be— . . . anything will do so long as he straddles a hobby and rides it hard."



The pictures above were published in various issues of the *Cleveland Trust Bulletin*, and the hobbyists are all members of that institution's staff. Top, left, horseman Paul Harasta, top right, watchmaker Harvey Volmar; second row, left to right, model shipbuilder Clem Duete-meyer, fish hatchery expert M. K. Ford, workshopman Frank Acker



Right, a vacant lot owned by the State Bank of Rush City, Minnesota, was turned into a flower garden through the efforts of Cashier Carl H. Sommer, a gladiolus fancier who has created new varieties and won state competitions

On one of his large ranches (the two pictures at the bottom of the page) Dan V. Stephens, president of the Stephens National Bank, Fremont, Nebraska, has raised and given sanctuary to thousands of wild birds and animals, ranging in variety from pheasants to elk and buffalo. Mr. Stephens, who is the author of books on banking, has also written his experiences as a naturalist



Harry S. German, cashier of the State Savings Bank of Carleton, Michigan, had charge of two banks when he was 22. He also made an early start in baseball. Since 1888 he has pitched 1,200 games and in 1932 pitched 21 strikeouts in a single game. In the same year he pitched 26 games and won 15 of them. Incidentally he bowls well above the 200 mark





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Equally important, Recordak levels off peak loads...smooths out rush-hour periods...makes every employee more versatile and more valuable...and eliminates duplication of effort.

A Recordak installation in your bank entails no capital outlay...and there are 12 conveniently located service offices throughout the United States. Recordak Corporation (Subsidiary of Eastman Kodak Co.), 350 Madison Ave., New York, N. Y.

*Recordak users report savings up to 45% net on per-item costs, 50% on supplies, 90% in storage space.*

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## Pay-As-You-Go Report Ready

### Remittance Checks Discussed in Study

Since the publication of its report on pay-as-you-go checking accounts in March 1937, the Bank Management Commission of the American Bankers Association through a special committee has continued its study on this problem, together with other new developments of no-minimum-balance checking account service, and has just issued a supplementary report.

The committee making the study is composed of the following: Theodore Rokahr, vice-president and treasurer, First Citizens Bank and Trust Company, Utica, N. Y., chairman; G. Fred Berger, treasurer, Norristown-Penn Trust Company, Norristown, Pa.; M. M. Myers, cashier, Miners National Bank, Pottsville, Pa.; Arthur C. Vogt, assistant treasurer, Guaranty Trust Company, New York, Frank W. Simmonds, Senior Deputy Manager, American Bankers Association, secretary.

In the supplementary report the Commission states that since the publication of its initial report on pay-as-you-go checking accounts (Booklet No. 18), nothing has come to the attention of the Commission which would cause it to modify to the slightest degree the conclusions stated in that report.

It will be recalled that the Commission concluded that the type of pay-as-you-go checking account which was the subject of its report could not be profitable "in the great majority of banks" if the charge for the service were limited to 5 cents per item, whether that charge be collected simultaneously with the rendering of the service or in advance through the sale of checks at a rate of 5 cents each or checkbooks or, in

### Issue Studies



Theodore Rokahr



Alva G. Maxwell

## Personal Loan Survey Issued By Association Groups Is Available

### Analysis Shows Experience and Practice

A survey and analysis of the experience and practice of a representative group of banks in connection with personal loans and personal loan departments has just been completed under the joint auspices of the Bank Management Commission and the Savings Division of the American Bankers Association, and has been mailed to the membership as Bulletin No. 74 of the Bank Management Commission.

The survey deals with 37 important points relating to personal loan business, among which are such topics as loan volume, interest and discount rates, loss ratios, advantages, disadvantages, etc.

Additional copies of this bulletin are available at 25 cents each.

The study was conducted under the supervision of:

Committee on Experience of Banks with Personal Loans, Bank Management Commission: Russell G. Smith, vice-president and cashier, Bank of America N. T. & S. A., San Francisco, chairman; Roger Steffan, vice-president, National City Bank of New York; E. S. Woolsey, vice-president, Louisville Trust Company, Louisville, Kentucky; Frank W. Simmonds, Senior Deputy Manager, A.B.A., secretary.

Committee on Personal Loans, Savings Division: Alva G. Maxwell, vice-president, Citizens and Southern National Bank, Atlanta, chairman; W. E. Burtelow, executive vice-president, Industrial Bank & Trust Company, St. Louis; John R. Burton, president, National Bank of Far Rockaway, N. Y.; Mervin B. France, vice-president, Society for Savings, Cleveland; Ralph W. Pitman, executive vice-president, Morris Plan Bank, Richmond, Va.; Roger Steffan, vice-president, National City Bank of New York; Louis S. Thomas, president, East Hartford Trust Company, East Hartford, Conn.; W. Espey Albright, Deputy Manager, American Bankers Association, secretary.

Therefore, the Commission reiterates its opinion that any checking account service, whether pay-as-you-go or otherwise, the charge for which makes no provision for the recovery of the "maintenance cost," must be unprofitable and therefore unsound.

The main part of this supplementary report deals with a new service termed "remittance check service," which is designed to enable people who either do not need or cannot afford a complete checking account service to pay their obligations with a "personal check" yet does not require them to maintain a bank balance.

Briefly, this service operates on much the same basis as a money order except that the check is signed by the person purchasing the order rather than by an officer of the bank.

This booklet was recently mailed to the membership of the Association. Additional copies are available at 25 cents.

fact, at any rate which would yield the bank a revenue of less than 7 cents per item handled (including deposited items) provided a minimum of 13 items is serviced each month per account.

It will also be recalled that the Commission conceded a 5 cents per item charge might conceivably be profitable in a bank handling thousands of pay-as-you-go accounts, but obviously that would be possible only in the larger population centers and certainly would not be possible in the great majority of banks.

The basic factor underlying the Commission's conclusions was the "maintenance cost" which was exhaustively discussed in the report; and while there might be an honest difference of opinion about the size of the maintenance cost in banks of varying sizes, the actual existence of a "maintenance cost" has not yet been disproved nor is it likely to be.

## Banks Anxious To Lend—Adams

### Wide Discussion Of Lending Problems

Sympathy with efforts to aid recovery by assuring adequate credit to small business firms was expressed by Orval W. Adams, President of the American Bankers Association, in a statement commenting on the letter sent to banks not long ago by Jesse Jones, chairman of the Reconstruction Finance Corporation, outlining the terms under which banks might make such loans in cooperation with the RFC. Mr. Adams said:

"No one is more anxious than banks to aid recovery or provide business, small and large, with adequate credit. Loans to business are the function and life blood of banking. Banks are not only anxious to make loans but are diligently seeking loans which may be made with benefit alike to borrowers and to depositors whose funds are loaned. Banks will be glad to hear from applicants, also to forward applications to the RFC as it requests.

"The extent to which the banks are devoting themselves to this question of aiding the public with necessary credit is indicated by the fact that during the past Winter the bankers of 30 states met in a series of conferences on the broadening of banking service, held under the auspices of the American Bankers Association, at which a major part of the discussion was given over to the subject of how to increase the lending facilities of banks, especially to people of smaller means.

"It is interesting to note that the Reconstruction Finance Corporation is now emphasizing the same thing and it is to be hoped that its program will be of real assistance to business."

#### Savings Forum

The Savings Division of the American Bankers Association has issued a transcript of the School Savings Forum held in New York City in March.

## 1938 Convention City



Fast-growing Houston, ranking third among the nation's ocean ports, is host for this year's Annual Convention of the American Bankers Association, November 14-17, and preparations for the meetings are already under way. The Association also met at Houston in 1927.

### Mrs. Simmonds

Mrs. Clara Blanche Simmonds, wife of Frank W. Simmonds, Senior Deputy Manager of the American Bankers Association, died at Tarrytown, N. Y., on April 30, following an illness of several weeks.

Mrs. Simmonds was born at Womer, Kansas. She was a graduate of the Lewiston, Idaho, Normal School and of Columbia University in New York City. Following her graduation from the latter institution she was assistant director of the Bentley School in New York.

A prayer service was held at the Simmonds home in North Tarrytown, May 1. Funeral services were held at the Presbyterian Church at Flemington, N. J., May 2, and burial was at the Prospect Hill Cemetery there.

### Graduate School

Approximately 640 bankers, including one Londoner, are expected to attend the fourth resident session of The Graduate School of Banking, conducted by the American Bankers Association at Rutgers University, New Brunswick, New Jersey.

The session opens June 20 and closes July 2 with the holding of the School's second commencement exercises.

With registration still incomplete, enrollment in the entering class included 12 bank presidents, 35 vice-presidents, 25 cashiers, 18 secretaries or treasurers, 22 assistant trust officers, 14 assistant vice-presidents, 11 bank examiners, 37 assistant cashiers, 2 comptrollers, and 1 deputy superintendent of banks.

This year's entering class will graduate in 1940.

### Louisville A. I. B. Features

Three prominent speakers will address general sessions of the American Institute of Banking convention being held at Louisville, June 6-10. William McC. Martin, president of the St. Louis Federal Reserve Bank, will speak at the final session, his topic being "Achievement." Dr. Neil Carothers,

Dean, College of Business Administration, Lehigh University, and Dr. Harold Stonier, A.B.A. Executive Manager, and A.I.B. Educational Director, address the opening business meeting. Dr. Stonier's subject is "The American Bankers Association's Interest in Education."

## Staff Members' Speech Schedule

### Appear At Numerous Large Meetings

Executive members of the A.B.A. staff are now available to banking groups for addresses on topics in their spheres of activity. Several of these staff appearances have already taken place, and others are scheduled for the immediate future.

Dr. Harold Stonier, Executive Manager, has on his June calendar talks at the Utah Bankers Association convention, Salt Lake City, June 3, and at the American Institute of Banking convention, Louisville, on the 7th. Other staff addresses are:

William A. Irwin, Assistant Educational Director, A.I.B., June 6, Washburn College commencement, Topeka; June 8, Louisville Kiwanis Club.

W. Espey Albig, Deputy Manager, June 6, Idaho Bankers Association; June 16, Montana Bankers Association, Helena.

D. J. Needham, General Counsel, June 8, Connecticut Bankers Association, Bridgeport.

James E. Baum, Deputy Manager, June 10, North Dakota Bankers Association, Valley City; June 22, Michigan Bankers Association, Grand Rapids.

Gilbert T. Stephenson, Director of Trust Research, Graduate School of Banking, July 14, Trust Companies Association in Toronto.

Lester Gibson, News Bureau Director, June 9, A.I.B. convention.

### Trust Conferences Scheduled

Dates for two regional trust conferences have been announced by Robertson Griswold, President of the A.B.A. Trust Division. First comes the Mid-Continent Trust Conference at Chicago, September 29-30, to be followed in November by the meeting at San Francisco of trust men in the Pacific Coast and Rocky Mountain states.



## Bankers Show Great Interest In Agricultural Betterment

### Varied Projects In Wide Territory Aid Farming

There are 43 states that have bankers' agricultural committees, according to the Agricultural Commission of the A.B.A.

Thirty-nine states have appointed county key bankers who represent their agricultural committees in their respective counties. Reports of definite activity have been received from 40 states.

Besides four states that have reached a goal of 1,000 points this past year in the Commission's rating program, and nine other states that have maintained their previous 1,000-point rating, there are 16 states that have shown commendably high records, some of them closely approaching the goal set by the Agricultural Commission of the American Bankers Association.

Figures taken from definite reports recently summarized show that during the past year there were 22,443 farm boys and girls encouraged by bankers to enter or continue in 4-H Club work. There were 97,630 farm people reported as having been influenced by bankers to make farm inventories, and some of these made out financial statements. There were 83,048 farmers reported as engaged in soil conservation (largely erosion control) where bankers exerted an important influence in getting them started. There were 28,040 farm people reported in other local or miscellaneous projects where the bankers' influence was a factor. Reports received account for 26,960 bankers attending some form of agricultural meetings during the year. Expenditures amounting to \$163,704 were reported as having been paid by banks for the betterment of agriculture.

### F. A. A. in Ft. Worth

Fort Worth, Texas, will be host to this year's convention of the Financial Advertisers Association. The dates are October 31-November 3. Bankers from all parts of the country, whether F.A.A. members or not, are invited to attend.

### State Bank Data

The seventh annual survey of state bank resources, liabilities, earnings and expenses is being completed by the Committee on State Bank Research of the State Bank Division, American Bankers Association. The study presents figures showing details of resources and liabilities classified by type of bank in each state for the year 1937. Comparative figures for previous years are also given, and several ratios have been computed using the major items from the balance sheet and the earnings statements.

Albert S. Puelicher, president, Marshall & Ilsley Bank, Milwaukee, is chairman.

### Publications

Current publications of the Research Council, American Bankers Association, include:

*What Your Community Thinks About Its Banks—A Plan for Finding Out.* The last in a series of studies on bank public relations, previously conducted by the Association's former Publicity Department. 50 cents.

*Banking Boards.* By a subcommittee of the Committee on State Legislation. 50 cents.

*Loan Administration Policies.* By a committee of the Bank Management Commission. 25 cents.

*Purchasing of Bank Supplies.* By a committee of the Bank Management Commission. 25 cents.

*Trust Business in the Future—Its Association with Banking.* By John W. Remington. (Graduate School of Banking thesis.) \$1.50.

*Survey of Personal Loan Department Experience and Practice.* By the Bank Management Commission and Savings Division, A.B.A. 25 cents.

## CONVENTIONS

### American Bankers Association

- June 6-10 American Institute of Banking, Brown Hotel, Louisville, Kentucky
- June 20-23 The Graduate School of Banking conducted by the American Bankers Association at Rutgers University, New Brunswick, New Jersey
- July 2
- Nov. 14-17 Annual Convention, Rice Hotel, Houston, Texas

### State Associations

- May 28-June 2 Maryland, Cruise to Bermuda
- June 2-3 South Dakota, Marvin Hughitt Hotel, Huron
- June 3-4 New Mexico, El Rancho Hotel, Gallup
- June 3-4 Utah, Salt Lake City
- June 6-7 Idaho, Lewis and Clark Hotel, Lewiston
- June 6-8 Iowa, Hotel Fort Des Moines, Des Moines
- June 8 Connecticut, Brooklawn Country Club, Bridgeport
- June 8-9 Wisconsin, Hotel Pfister, Milwaukee
- June 9-10 Washington, Seattle
- June 9-11 Massachusetts, Swampscott
- June 9-12 District of Columbia, The Homestead, Hot Springs, Virginia
- June 10-11 North Dakota, Valley City
- June 10-11 Vermont, Woodstock
- June 13-14 Oregon, Hotel Benton, Corvallis
- June 15 Rhode Island, Providence
- June 16-18 Montana, Helena
- June 16-18 Virginia, The Homestead, Hot Springs
- June 17-18 Colorado, Broadmoor Hotel, Colorado Springs
- June 17-19 Maine, Poland Springs House, Poland
- June 17-26 North Carolina, Cruise to Nassau and Havana
- June 22-24 Michigan, Grand Rapids
- June 23-25 Minnesota, Nicollet Hotel, Minneapolis
- June 23-25 West Virginia, White Sulphur Springs
- June 24-25 Wyoming, Jackson
- June 25-27 New York, Saranac Inn, Saranac
- Sept. 8 Delaware, Rehoboth
- Sept. 14-15 Kentucky, Lafayette Hotel, Lexington

### Other Organizations

- June 5-10 Annual Credit Congress, National Association of Credit Men, San Francisco, California
- June 6-10 School for Junior Bank Officers and Employees, State College, Mississippi
- June 11 Annual Meeting, Robert Morris Associates, Skytop Lodge, Skytop, Pennsylvania
- June 12-16 Advertising Federation of America, Hotel Statler, Detroit, Michigan
- June 19-21 Bankers Conference, University of Kentucky, Lexington, Kentucky
- June 30-July 1 University of Chicago Conference on Business Education, School of Business, The University of Chicago, Chicago, Illinois
- July 5-29 Fourth Annual Research Conference, Cowles Commission for Research in Economics, Colorado Springs, Colorado
- July 11-15 Second North Carolina Bankers Conference, University of North Carolina, Chapel Hill
- July 17-22 Stanford Business Conference, Stanford University, California
- Aug. 15-19 Arkansas Bankers Seminar, University of Arkansas, Fayetteville
- Aug. 22-Sept. 2 Pacific Northwest Banking School, The University of Washington, Seattle, Washington
- Aug. 24-27 Virginia Bankers Conference, University of Virginia, University, Virginia
- Sept. 8-9 Maine Savings Banks Association
- Oct. 10-12 The Morris Plan Bankers Association, The Greenbrier, White Sulphur Springs, West Virginia
- Oct. 31-Nov. 3 Financial Advertisers Association, Texas Hotel, Fort Worth, Texas
- Nov. 14-16 National Association of Bank Auditors and Comp-trollers, Houston, Texas
- Nov. 14-17 Association of Bank Women, Houston, Texas

# Biography of Business

TWO recent books which should appeal to many readers of *BANKING* are Miriam Beard's *A History of the Business Man* (Macmillan, New York, \$5) and Paul H. Emden's *Money Powers of Europe* (D. Appleton-Century, New York, \$3.50). Each volume enters a new field, and each, as publishers like to say, fills a gap.

Miss Beard's work, in 765 pages, takes the business man from the Homeric Age to the American New Deal, providing the reader with an interesting biography of a type—the man whose contributions to history have been all but unsung. Here we find him variously as the patrician city-ruler, the monopolist, the individualist, and the “big business man”, presented amid the settings of his times and in his relations to them. As the author concludes, if the past can offer no model for the future, it has “conditioned future thinking in a variety of ways, by eliminating some possibilities and opening others. We never imitate the past—yet we are never emancipated from it.”

The book by Mr. Emden deals with men and events during the 19th and 20th centuries, sketching the careers and personalities of the financiers who helped mold modern history. Starting with the financing of the Napoleonic wars the author presents a colorful pageant that embraces the growth of the big British and continental banking institutions and the development of present-day Europe.

## A BRITISH VIEW OF US

*Commercial Banking Legislation and Control.* By A. M. Allen, S. R. Cope, L. J. H. Dark, and H. J. Witheridge. (Macmillan, New York, \$4.50.) The four English authors of this book present a detailed examination of banking codes in the world's principle countries, with the exceptions of France and Holland which have no specific banking law, and Russia, whose system is considered not comparable with those of capitalistic nations.

The section on the United States is particularly interesting in that it presents an external view of our banking system. The dual system and the preservation of unit banking, say these observers, are fundamental obstacles to a safe banking system. Through our “inability or unwillingness” to surmount these obstacles, they assert, “the American nation has projected before itself a host of minor difficulties.” These we may succeed in overcoming—although the degree of our success will not be known until we have another crisis—but we do not seem “to be following the most straight-forward and most logical route to a sound banking system. Even when this is achieved, there remains the problem of unified credit control—a problem which the country has still to work out for itself.”

## BOOKS IN BRIEF

*Modern Money.* By Myra Curtis and Hugh Townshend. (Harcourt, Brace, New York, \$2.50.) This is the American edition of a book by two English economists who write for the general reader. They explain how today's monetary system works.

*Some Theoretical Problems Suggested by the Movements of Interest Rates, Bond Yields and Stock Prices in the United States Since 1856.* By Frederick R. Macaulay. (National

Bureau of Economic Research, New York, \$5.) Dr. Macaulay's studies, including valuable statistical tables, contribute to an understanding of the behavior of the variables mentioned in the title, as well as of commodity prices, clearings, and pig iron production.

*America's Stake in International Investments.* By Cleona Lewis. (Brookings Institution, Washington, D. C., \$4.) In his preface to this book Edwin G. Nourse, director of the Institute of Economics, refers to it as “a longitudinal view of our evolution from a weak debtor country during the early days of our national life to the strong financial position of today.”

*Investments and Investment Policy.* By Floyd F. Burtchett. (Longmans, Green, New York, \$4.) Dr. Burtchett takes up investment fundamentals, media, policy and contemporary problems. Among the latter he considers “patrol of the investment field.”

*An Introduction to Money.* By W. A. L. Coulborn. (Longmans, Green, New York, \$2.20.) For undergraduate students and the general reader, this book gives the history and theory of money, together with some of its modern problems. The author's aim is to expound the ideas of J. M. Keynes.

*Current Economic Delusions and Their Probable Future Effects.* By E. C. Harwood. (American Institute for Economic Research, Cambridge, Mass., \$1.) Some of the “delusions” discussed are that gold has been at fault as the money commodity, that devaluation will double prices, that the competitive system has failed, that commodity prices should behave, that we save too much, and that inflation can be closely controlled.

*The Federal Government Today.* (American Council on Public Affairs, New York, \$1.) Subtitled “A Survey of Recent Innovations and Renovations”, this pamphlet endeavors to picture the changes the Government has undergone during the last five years. Officials of new departments, or of others which under the New Deal have taken on additional responsibilities, discuss the operations, activities and problems of their organizations. The contributors include Secretaries Perkins, Hull, Ickes and Roper; also Jesse Jones, Aubrey Williams, William I. Myers, John H. Fahey, Nathan Straus, William O. Douglas, Dr. Thomas Parran, Frank R. McNinch, and Stuart A. Rice.

*Smooth Sailing Letters.* By L. E. Frailey. (Prentice-Hall, Inc., New York, \$2.) Everybody likes good letters, and this book tells how to write them by avoiding stereotyped phrases, by writing in a conversational manner, and by expressing your own personality.

*Investment Provisions of Wills and Trust Agreements.* By Gilbert T. Stephenson. (The Graduate School of Banking, American Bankers Association, New York City.) This booklet contains the second of a series of lectures on different phases of draftsmanship of wills and trust agreements, delivered by the author to the classes of a number of American law schools. An appendix includes some actual and complete investment provisions.

In the review of Gilbert Stephenson's book, *Studies in Trust Business*, in the May issue, the price was omitted. It is \$2.50 per copy.

# When water plays, **YOU LOSE!**



When a hose or sprinkler goes into action, someone has lost money. Water plays rough; fire plays rougher; and while insurance can cover property loss, water damage, occupancy and business interruption, it cannot repay you for cancellations of orders, loss to competitors, missing a seasonal market, and weakening the many contacts that go with a going business.

That is why IRM employs a nation-wide staff of fire-prevention engineers to *improve* risks and keep re-inspecting them. *Without* this service, you are playing with fire—gambling on its occurrence—in a game that few ever win.

By eliminating hazards, and by sound management, IRM reduces your insurance *costs* as well as your risks. Policyholders have received sound indemnity plus 25% returns of their premiums each year.

An IRM fire-prevention engineer will be glad—without obligating you—to call and analyze your fire hazards. Writing us to arrange an inspection may prove to be your most important business step of the week.



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Lumber Mutual Fire Insurance Co., Boston, Mass.  
Lumbermen's Mutual Insurance Co., Mansfield, Ohio  
Michigan Millers Mutual Fire Insurance Co., Lansing, Mich.  
Mill Owners Mutual Fire Insurance Co. of Iowa, Des Moines, Iowa  
Western Millers Mutual Fire Insurance Co., Kansas City, Mo.

Millers Mutual Fire Insurance Assoc. of Illinois, Alton, Ill.  
Millers Mutual Fire Insurance Co., Fort Worth, Texas  
Millers Mutual Fire Insurance Co., Harrisburg, Pa.  
National Retailers Mutual Insurance Co., Chicago, Ill.  
Northwestern Mutual Fire Assoc., Seattle, Wash.  
Pennsylvania Lumbermen's Mutual Fire Insurance Co., Phila., Pa.  
Pennsylvania Millers Mutual Fire Insurance Co., Wilkes-Barre, Pa.

# The Market for Small

By A. PATTERSON FIRTH

A DISTRICT bank with two offices, both in lower class sections of one of our leading cities, installed the pay-as-you-go checking service in July 1936. Up to the end of that year 988 accounts had been opened and as the year closed, aggregate balances were \$36,000 and service charge revenue was approximately \$100 weekly. A somewhat comprehensive analysis of the experience of this bank with the service during the above mentioned period was incorporated in an article in the February 1937 issue of *BANKING* (page 31).

Now we are able to tabulate the business obtained and the profit accruing from a full year's service by this bank, January 1 to December 31, 1937:

Month	Month-end		Service Charge
	Accounts Opened	Balances in Department	
January.....	103	\$40,000	\$439.85
February.....	85	41,000	517.44
March.....	101	47,000	610.43
April.....	87	47,000	611.76
May.....	118	54,000	654.40
June.....	57	57,000	809.94
July.....	84	58,000	698.09
August.....	80	59,000	736.79
September.....	82	59,000	702.44
October.....	81	62,000	765.83
November.....	80	66,000	805.39
December.....	74	67,000	943.27
Totals, 1937.....	1,032		\$8,295.63

By adding to the 1,032 accounts opened in 1937 the 988 accounts on the books at the beginning of that year, and deducting a total of 25 accounts closed during the 18-month period, we have 1,995 accounts with aggregate balances of \$67,000, an average of \$33.58 per account. The 25 accounts were closed at the bank's demand because of customer abuses, particularly the issuance of checks against insufficient funds or uncollected items. All other accounts, even though inactive, are held in the active ledger because experience has shown that it is the nature of this type of account to have periodic bursts of activity between dormant intervals.

The primary purpose in extending this service to the public is to profit from service charge revenue rather than to increase the deposit line. Therefore let us ignore the subject of balances and the possible investment revenue therefrom, and consider only the net profits accruing from service charges.

The total operating expense of the department during 1937 was \$2,935.56, comprising salaries, stationery, supplies and advertising. The bank created its own operating and bookkeeping system for handling this type of account and has considerably reduced costs by so doing, not only in the way of stationery and supplies but by obviating the payment to a sponsoring company of royalties or commissions on business obtained for the use of a copyrighted system and for expensive advertising literature.

The only other expense which should rightly be charged against this new department is its proportion of the overhead expense of the bank, and this it has been found almost impossible to figure on an equitable basis.

With the exception of an additional bookkeeper (part-time) the whole of the work of this department has been absorbed by the regular staff of the bank, with no additional expense in the way of light, heat, machinery, etc., and little in the way of supervisory expense. For this reason, only a guess can be made regarding the overhead costs which should rightly be charged against the department.

It is not sound accounting to include these accounts in the regular commercial department of the bank and have them bear the same item charge, first, because approximately 99 per cent of all deposits are cash items in comparatively small amounts, and, second, because the operating system employed considerably simplifies the handling of checks paid against these accounts. Therefore the usual 3 cents per item analysis charge is considered much too high.

Without attempting any intricate accounting calculations, the bank considers that the year's service charge revenue (\$8,295.63) less actual operating expense (\$2,935.56) leaves a margin of \$5,360.07, which is ample for the deduction of a reasonable estimated overhead charge and a substantial profit in the department. Viewing the subject broadly, it would seem that any increased business which yields a revenue of \$8,000 in cash by the expenditure of \$3,000 and without any increase in the way of space, light, heat or machinery, and permits a cash deposit of \$5,000 to the profit and loss account, is by and large a profitable undertaking. Incidentally, the gross revenue for the first three months of 1938 is approximately \$2,500.

## AVERAGE MONTHLY EARNINGS

TO calculate as nearly as possible the average monthly gross earning power of this type of account, the service charge revenue for December 1937 (\$943.27) might be divided by the total number of accounts on the books at the end of November, viz.: 1,995 less 74, or 1,921. By checking this method of calculation with the January 1937 revenue, divided by the 988 less 15 closed accounts (December 31, 1936) we have respectively 49 cents and 45 cents per account per month. Furthermore, better than 90 per cent of accounts opened in this department are for new customers.

In giving consideration to the foregoing facts and figures and to the advisability of installing such a department, the reader is cautioned to give careful thought to the potential market for such facilities and also to the possibilities of competition.

As previously stated, these results have been obtained by a district bank in a large city where there is an almost unlimited market and where the center-city banks have in the main refrained from entering this field. In a smaller city of, say, two to five banks, the potential market is much smaller and if, as is likely, the introduction of the service by one bank is followed by similar offers by the other institutions, the possibilities for growth will be quite limited and may make the effort not worth while.

A fair volume of business, handled economically by the present staff and without outside expense in royalties and commissions, is necessary to make the undertaking profitable.

(MR. FIRTH is a regular contributor to *BANKING*. He was formerly a bank examiner in England.)



# Checking Accounts

By THEODORE ROKAHR

NO one can deny that a bank service sold at less than cost may be profitable insofar as that service utilizes unemployed capacity, but when volume attracted by the lower rate begins to tax existing capacity, we get an entirely different picture. At that point a bank faces the alternatives of being satisfied with less net profit on its total business than it earned theretofore, or admitting its mistake and increasing its rates.

The bank described by Mr. Firth was better off to the extent of \$5,360.07 than it would have been without pay-as-you-go checking accounts, but I cannot agree with his analysis of the business as a unit.

In the first place, I cannot agree that checks paid against a pay-as-you-go account are much less expensive to handle than those paid against a regular checking account, because in both cases practically the same routine is necessary. While it is true that the sorting operation may be simplified and speeded up by numerical instead of alphabetical sorting, and that the verification of signatures may be facilitated by having the depositor's signature affixed to the ledger sheet, nevertheless, in all other respects the usual routine must be followed. Upon their receipt by the bank, such checks must be proved to the incoming totals and distributed to the bookkeeping department or pay-as-you-go section of the bookkeeping department. They must then be sorted either by name or by number; the signatures must be inspected for genuineness; they must be posted (twice, if the dual posting system is used, and, if a single posting system is used, other precautions against mis-posting must be taken); and they must be cancelled and filed. Therefore, if such checks are, in fact, cheaper to handle than checks drawn against regular checking accounts, the cost of handling them can be only fractionally lower than that of handling regular checks.

Mr. Firth refers to 25 accounts which were closed "at the bank's demand because of customer abuses, particularly the issuance of checks against insufficient funds or uncollected items". This suggests that the service charge income of \$943.27 for December 1937 and \$8,295.63 for the full year consisted entirely of service charges for activity and did not include any penalty charges for N. G. checks. Assuming that this is so, one must concede that the revenue per account was about 49 cents per month. That figure suggests activity of about 10 items per account per month—perhaps less.

Now, if we further assume that the 10 items for which the bank charged 5 cents each cost it 3 cents each to handle (although I believe  $3\frac{1}{4}$  cents would be more nearly right) we have a margin of 19 cents to cover maintenance cost per account, provided we ignore entirely the cost of handling deposit tickets and deposited items.

Whether or not 19 cents is sufficient to cover the maintenance cost in this particular case, I do not know, but if so, certainly there cannot be much margin of actual profit.

Mr. Firth writes that "the bank considers that the year's service charge revenue less actual operating expense leaves a margin . . . which is ample for the deduction of a reasonable estimated overhead charge", and in a previous reference to overhead he refers only to "light, heat, machinery, etc., and little in the way of supervisory expense". He makes no mention of the cost of opening the accounts and investigating

the new depositors, which must have been done if only 25 out of a total of 2,020 proved to be undesirable.

As to his reasons for not including the general overhead in his computation—even though no additional floor space was added, no additional light or heat used and no additional machinery purchased—why should not the bank make this new service bear its proportionate share of these costs, as well as a part of the cost of supervision, instead of leaving these expenses as fixed charges against the users of other services, or making the stockholders absorb them? Somebody *must* pay for them. Then why should not all who use them share them *pro rata*?

In the final analysis, the reader's acceptance or non-acceptance of Mr. Firth's belief that this type of business is profitable depends upon whether or not the reader is willing to admit the existence of a maintenance cost—a definite cost involved in carrying an account regardless of whether or not there is any activity in it, and I for one sincerely believe that a maintenance cost is a very real and inescapable fact. Just as a public utility company is put to a definite expense in order to have available sufficient electric current to meet the demands of its consumers if and when they turn on their switches, which it recovers by means of its monthly "minimum" or "meter" charge, so is a bank put to a definite expense in order to be prepared to render as much or as little service as its depositors may require of it at any time, and the cost of this preparedness (the cost of space and personnel maintained above normal requirements), coupled with the cost of those routine functions which must be performed monthly for the benefit of every account, regardless of whether or not any deposits are made or checks drawn, should be recovered by means of a maintenance charge if the depositor's balance is not sufficient to earn it.

However, in fairness to Mr. Firth, it should be noted that he cautions his readers "first to give careful thought to the potential market" for pay-as-you-go facilities and suggests that in smaller cities, having from two to five banks, the possibility of offering the service profitably is doubtful. Large communities with more than five banks are relatively few in number, and the banks located in them represent only a small minority of all the banks in the country. It is for that reason that the Committee on Pay-as-you-go Checking Accounts which investigated the subject for the Bank Management Commission of the A.B.A., over a year ago, reached the conclusion that pay-as-you-go service could not be profitable "*in the large majority of banks*".

Incidentally, some of the comments which I have heard concerning the report of that Committee convince me that very few of its critics have taken the trouble to read the report in its entirety, because they seem to be under the impression that the Committee unqualifiedly concluded that pay-as-you-go service could not be profitable in any event, when as a matter of fact, its report pointed out certain conditions under which such service might be profitable. But the Committee was nevertheless forced to conclude that such conditions could not exist in every bank, and certainly not in the large majority of banks.

(MR. ROKAHR is vice-president and treasurer, First Citizens Bank and Trust Company of Utica, New York. He was chairman of the Committee above referred to.)

# METHODS and IDEAS

Compiled by John J. McCann, Jr.,  
Advertising Manager of the National  
Savings Bank, Albany, New York

## After Success

EYE APPEAL, story interest and sound selling are captured in a dignified trust brochure copyrighted recently by the State Planters Bank & Trust Company of Richmond, Virginia. A panel inset of buff stock, bearing the title "After Success", gives pleasing contrast to a deep Georgian cover. Text is printed black on white Georgian with titles and subheads in brown. A matching green envelope 9 x 13 inches takes this piece to preferred prospects.

The introductory paragraph draws on history to impress the reader that his right to transfer property under a will has been won through years of struggle. It cites briefly the feudal custom of land grants through centuries in Europe and the early colonial adaptation, particularly in Virginia, where grants were made by the Crown to lords representing the government and in turn to the colonists, who were subject to the rule of primogeniture. The story then runs through present-day privileges and links in with trust services. It concludes: "You spend your lifetime building an estate; spend a few hours planning to safeguard it after success."

## Grubstake

THE FIRST NATIONAL BANK OF LEAD, serving six communities in the Black Hills of South Dakota, has developed an interesting ad technique. Candid photos of branch office depositors are grouped in each ad with quoted captions telling of bank history, its help in building industry, promoting community welfare and service. Each quote is directed to one or another of the branches. A column titled *The Human Side of Banking* brings the selling message, and here again is a photo inset of a depositor using the suggested service. Grubstaking is the theme of this highly personalized series. It appeals to pioneer, hatchery boss, innkeeper, little buckaroo—and the rest of the 10,000 "partners" in this Black Hills banking business.

## 18 Bargains

A NEW AND WELCOMED CHANGE of appeal in community chest campaigns

is suggested by a recent ad of the First National Bank of Tampa, Florida. "Eighteen outstanding bargains of community service" is what the bank terms the 18 local agencies served by the chest. Copy goes on to tell the why and how of it all, with emphasis on the practical usefulness of each agency and what it does for the individual from whom contributions are expected. Illustrations are casual and homely, with no attempt to play on sympathy.

## Tailor-Made Homes

THE HOME SERVICE DEPARTMENT of the Oklahoma City Federal Savings and Loan Association recently inaugurated a new and helpful service for prospective home builders. Basis of the idea is an extensive portfolio of moderately priced home plans, all of which were chosen with a view to customer needs and preferences. Supplementing this service, the bank provides personal architectural supervision of all required changes in the plans to customers' satisfaction and from then on through every phase of construction.

## Insurance Romance

THE GREATEST FAMILY IN THE WORLD, originally published in 1923 by the Bank of Manhattan Company (New York City), now completes its eighth revised edition, with a total of more than a million copies. This little pocket-size volume has been characterized by many insurance executives as "one of the most important contributions ever made to the cause of life insurance." The book was planned to meet, in some measure, the public desire for greater knowledge of one of the fundamental economic factors in the progress and prosperity of America. And it does precisely that—the story of life insurance is told romantically, with convincing facts and figures.

## Trade Digest

A NEW SUMMARY OF CREDIT and economic conditions in all countries having restrictions governing trade, currency and exchange has been released by the foreign department of the First National Bank of Chicago. On page 1 of the 48-page book, an alphabetical list of countries with trade restrictions is given with a summary of how current drafts are paid, approximate delay in receiving remittances and present trend in payments. Following pages analyze each

country separately under the headings: Principal Imports, Exports, Exchange and Trade Restrictions, General Conditions, Government Finances, Unit of Exchange and Population. These salient facts are set forth concisely and contain latest figures available.

## Reciprocal Trade

THE FOREIGN DEPARTMENT of the Hibernia National Bank in New Orleans recently issued a 24-page booklet which discusses and tabulates present and pending trade agreements negotiated by the United States Government. In the foreword the booklet points out the importance of these agreements not only to those engaged in foreign trade but to every citizen who in any way whatever buys, sells or uses import or export commodities. The booklet discusses three basic questions: Is foreign trade essential to our general welfare?—A trade agreement policy.—What have trade agreements done to help foreign commerce? A list of the principal commodities covered by present trade agreements with 17 countries and a list of countries with which agreements are now considered is given in later chapters.

## Certified Inspection

A BRONZE PLATE the size of a brick is inserted in the foundation wall of each home financed with a construction loan by the Second Federal Savings and Loan Association of Cleveland. The plate is embossed, "Certified Inspection—Second Federal S. & L. A." Under the method of handling construction loans developed by the association, in which it inspects and pays all bills, it not only provides a loan service but certifies it to the owner by the bronze plate and by a signed certificate. The plate is said to improve the resale value of property; assure the owner or later prospect of a well built home, which can be maintained with low upkeep; endorse the residential building contractor. And it is a modest advertisement for the association.

## Advertising by Check

THE MOGULS OF ADVERTISING are forever scouting new media, but who would ever think that the best possible form would be check advertising. At least the idea has been set off to a good and effective start by the Warren

(CONTINUED ON PAGE 58)



# THIS IS WHY BANKERS PREFER SUPER-SAFETY CHECKS

**HIDDEN** beneath the surface design of Super-Safety Checks are hundreds of VOIDS that appear when ink eradicator is applied—and cancel the check forever. No other bank checks possess this effective, safety feature.

Depositors appreciate the safety these unusual checks provide. They feel that their funds in transit deserve just as much protection as when, in the form of currency, they are

locked in the vaults of your bank. And they know that the loss preventive features of Super-Safety Checks are guaranteed by insurance.

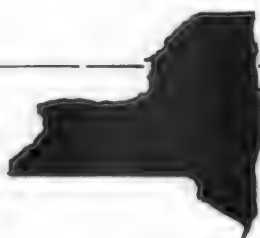
These are the reasons modern bankers prefer Super-Safety Checks—these are the reasons why new users have increased more than two hundred per cent within the last six months. Let us send you more information about these insured Super-Safety Checks—the checks equipped with burglar alarms.

## THE TODD COMPANY, Inc., ROCHESTER, NEW YORK

*Offices in all Principal Cities*

Also makers of Protod-Greenbac commercial checks, cashiers' checks, and bank money orders; Antique Moorish check covers and pass books and a complete line of other bank supplies.

# THE FASTEST PRESENTATION OF NEW YORK STATE ITEMS



**T**HE Marine's night transit service gives you the fastest presentation of cash items throughout New York State.

Such rapid service is possible because of the strategic location of this bank in the nation's greatest market, and because of the Marine's correspondent connections throughout the State.

It will pay you to point out to your customers how this service can minimize the risk on return items and how its other advantages can benefit them.

Write for more information, and a copy of our latest night transit schedule.

## MARINE TRUST COMPANY OF BUFFALO

*A Marine Midland Bank*

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

### IDEAS—Continued

National Bank of Warren, Pennsylvania. The usual dotted lines in the check form are filled in with community copy. Now the flight of each check does a walking delegate job for Warren. Checks are made in a variety of color combinations for both personal checkbooks and counter use.

#### Club Idea

THE PRACTICAL BENEFITS of an employee club have been tested in many ways. Now a practical personal value is suggested by a new service for members of the Dime Club of the Dime Savings Bank of Brooklyn, New York. The club is in touch with various business firms which sell on a wide price range and members are assured the best and most favorable terms.

#### Foreclosure Study

A STUDY OF CAUSES OF REAL ESTATE FORECLOSURES in Southern California, which is thought to be fairly representative of experience elsewhere in the United States, has been prepared by Colonel J. B. Chaffey, vice-president of California Bank, Los Angeles. The study, in brochure form, has received a wide distribution. A limited quantity is still available and will be forwarded on request.

#### Bank Hostess

THOUGH WOMEN have been prominent in many capacities of banking service throughout its history, only recently do we hear the title "hostess". Perhaps it is the sequel to the story that one of the greatest contributions to the safety of air travel is the corp of charming hostesses. At any rate there is something similar in the idea, for the Amoskeag Savings Bank of Manchester, New Hampshire, installed a hostess for the benefit of the many timid souls who have some hesitation in coming into a large financial institution. She sits at a smart desk just inside the bank entrance and tells the customers pleasantly where to find Mr. So-and-so. Meanwhile she opens new accounts. She typifies the answer to the charge that banking is too impersonal, too cold.

#### Vacation Appeal

THE CANDID CAMERA CRAZE has wormed its way into practically every phase of national life and established itself as a national avocation. Into the flood of ideas capitalizing on camera consciousness, the National City Bank (New York) designs a striking mailing piece using a photo reproduction of a



miniature camera. The piece is die cut actual size and is so close to the original that even at close range you feel you've got something. The piece sells NCB travelers' checks.

*Your Travel Guide*, a companion piece, selling NCB letters of credit incorporates a time and money saving idea for patrons. The bank has devised a special cable and telegraph code to save tolls. The patron is instructed to write his own message opposite each of the ciphers listed on two pages and then make an exact copy thereof on the decoding page which is to be left with friend, relative or business associate. The booklet also includes name and address memos, memo for purchasing souvenirs, a 'round-the-world time-meter, passport information and a list of National City branches and affiliates.

### Rural Public Relations

A TWO-POINT PROGRAM has been designed by committees of the Illinois Bankers Association to bring members into closer relationship with farmers. Point one is a weekly agricultural radio broadcast carried by a number of Illinois stations under the sponsorship of the association. Point two is a monthly agricultural bulletin, called *The Experiment Station News*, distributed by members to selected lists. All material used is obtained from data officially issued from the agricultural experiment stations of various states in the country, thus taking the banker out of the posi-

tion of holding himself forth as an expert on the technical side of farming. This information, much of which is applicable to all states, is not readily available to farmers outside the state conducting the experiments. Bulletins are imprinted with member bank names.

### Four Simple Steps

A NEW FOLDER designed to sell the night depository service of the First National Bank & Trust Company of New Haven (Connecticut) hits the points from one to four in stride. The folder has a die cut index numbering the steps on the open side. Well posed

photographs tell the story, which is supplemented by brief captions which waste no one's time.

### One Up

UNCLE SAM has his hands full with those clever individuals who delight in sending peculiarly addressed letters to Hollywood stars, and now banks. Not long ago the Onondaga County Savings Bank of Syracuse (New York) received a letter addressed to "The Bank where  $\frac{1}{3}$  of Syracuse Saves"—slogan featured in current advertising. But the bank was not phased by such originality—it replied with one better. The envelope



**T**HE 75TH ANNIVERSARY of The First National Bank of Chicago occurs July 1, 1938. During three-quarters of a century the bank has grown with the city and the great central valley of the United States. Complete facilities for the transaction of financial business in this country and throughout the world are offered those who find a Chicago connection advantageous.

**The First National Bank  
of Chicago**

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

### TENNESSEE BANKERS

M. A. Bland, vice president of the First National Bank of Clarksville, is the new president of the Tennessee Bankers Association



was reproduced in an ad which read: "This letter came to us without delay, indicating that not only do 76,043 depositors know where  $\frac{1}{3}$  of Syracuse saves, but Uncle Sam does, too!"

### Scholarship

AN ESSAY CONTEST on the subject, "How a Bank Serves a Community", conducted recently by the Michigan Bankers Association, won state-wide interest of high school seniors. Grand prize was a \$500 scholarship to the University of Michigan. Final essayists were chosen from locally conducted contests by member banks. Each pre-

liminary winner received a cash award of \$10 or \$15 from the local bank. It is reported that this contest stimulated research and education among the students, enlivened teacher interest in banking, and generally brought favorable comment from the press.

### Who's Who

REALIZING THAT NO SERVICE INSTITUTION is stronger than the officers who guide its destinies and do the day's work, the Metropolitan Trust Company of Chicago provides its customers, present and future, with a veritable "who's who" of the official family. Attractive

from every standpoint of physical makeup, the interesting booklet, *Introducing the Officers of the Metropolitan Trust Company*, is no doubt a most convenient answer to the problem of getting across the personal element, which is so dominant in selling confidence. A photograph of each officer and text outlining his background, training and experience give convincing proof that the executive staff is individually and collectively qualified to serve.

### Anniversary Issue

SOME OF THE WEST'S most colorful characters and episodes parade through *Seventy-Five Eventful Years*, a booklet released recently by Fireman's Fund Insurance Company in commemoration of its 75th anniversary. The booklet takes the place of the regular May issue of *Fireman's Fund Record*, which is the oldest fire insurance house organ in the United States.

The history of the West, and particularly of San Francisco, is closely interwoven with the history of the Fund, and the booklet faithfully portrays Pacific Coast events during the last three-quarters of a century, illustrating its pages with photographs, line drawings and reproductions of interesting historical documents. A wealth of research makes this piece interesting to read and worthwhile to store away for future reference.

### School Savings

RENEWED BANK INTEREST in the 53-year-old institution of school savings has developed rapidly in recent months. Now a late report shows how students themselves are conscious of the value of this fundamental banking service. The student council of a high school in Medford, Massachusetts, recently approached the Medford Savings Bank with a proposition to have each student deposit 25 cents a week over a 3-year period, in order to accumulate funds for graduation year. Such initiative should be encouraged. There is no reason why the idea can't be worked out successfully in other schools and other banks.

### Map Treatment

THE INCREASING USE OF MAPS in display advertising is tempting the artist toward new and better forms of reproduction, particularly on the score of making maps tell the desired story with greater emphasis. A good example is noted in a recent ad which seeks to show that the Wachovia Bank and Trust Company of North Carolina is the largest institution in a six-state area. (CONTINUED ON PAGE 63)



### Jolly Roger

EVEN the buccaneers of yesterday flew the Jolly Roger for token of their bloody calling.

But the gunmen of today flaunt no insignia. Their depredations drop like bolts from the blue.

Protect your bank from the disastrous losses which robbery, safe burglary, and inside and outside holdup can cause . . . with Standard Accident of Detroit policies.

Standard contracts are modern, broad and generous . . . backed up by a sound financial structure of 54 years of aggressive pioneering . . . serviced by a nation-wide organization with 9000 representatives. They put at your disposal experienced safety engineering and coast-to-coast claim service.

### STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

# PRESERVING FINANCIAL STABILITY

Security of Investment or Loan Collateral—and Profit Earnings are the Banking World's prime interests in business. Whether it be in weighing investment merits or the soundness of a credit risk, the banker looks for safeguards which give assurance of the longview financial stability of the organization. He expects business to be protected against the many risks of accidental loss to which it is constantly exposed.

Progressive management is meeting this important responsibility through Adequate Insurance which is recognized as the safest, soundest and most economical method of providing protection for the resources of a business—as well as reimbursement for the possible disruption of its earning capacity.

The Commercial Union Group is one of the world's foremost Capital Stock insurance organizations writing practically all kinds of insurance except Life. Its financial strength, integrity and sound management—its widespread system of expert Local Representatives and world facilities recommend its member companies strongly to business executives seeking secure protection.



## COMMERCIAL UNION GROUP

COMMERCIAL UNION ASSURANCE COMPANY, LTD.

AMERICAN CENTRAL INSURANCE COMPANY

COLUMBIA CASUALTY COMPANY

THE PALATINE INSURANCE COMPANY, LTD.

THE CALIFORNIA INSURANCE COMPANY

THE COMMERCIAL UNION FIRE INSURANCE COMPANY

THE OCEAN ACCIDENT & GUARANTEE CORPORATION, LTD.

THE BRITISH GENERAL INSURANCE COMPANY, LTD.

UNION ASSURANCE SOCIETY, LIMITED

NEW YORK

CHICAGO

ATLANTA

SAN FRANCISCO

(STOCK COMPANIES)

HEAD OFFICE • ONE PARK AVENUE, NEW YORK, N. Y.

# Burroughs

## NEW ELECTRIC DUPLEX CALCULATOR

ADDS  
SUBTRACTS  
MULTIPLIES  
DIVIDES

WITH DIRECT  
SUBTRACTION



This new Burroughs accumulates a grand total from which amounts may be directly subtracted at the touch of a key! Thus, it is the only key-operated calculator that does a *complete* job with *one* handling of the figures.

### Here's How It Simplifies Account Analysis

It adds daily balances and accumulates them for a grand total.

Without interfering with this "stored" total it calculates reserve, and, at the touch of a key, subtracts it from the grand total.

It computes and deducts float in

the same manner, leaving the loanable balance.

Item and other costs are calculated, and the earnings on the loanable balance deducted from total cost, leaving the net loss or profit chargeable to the account.

Because of its electric operation and rapid, uniform key action, it is the fastest machine of its type for such work as figuring and checking interest on notes, bonds and mortgages, figuring savings interest, etc.

[ New features and new operating advantages are obtainable in a wide variety of Burroughs Calculators. Call the nearest Burroughs office for complete details. ]

**BURROUGHS ADDING MACHINE COMPANY . . . . DETROIT, MICHIGAN**



The map of South Atlantic States is squared off for the ad and the area of six states is outlined by throwing a coarse screen over the remaining territory. Thus the desired section is effectively highlighted.

### Estate Procedure

NO MATTER how simply trust department procedure is described, the average layman finds it difficult to understand. He is not overly inclined to familiarize himself with terms, much less procedure, and the result is that selling is doubly hard. The Anglo California National Bank of San Francisco solves this problem rather completely by drawing a "tree" chart of procedure, beginning with the reading of the will, through all phases, to obtaining the discharge. This type of presentation seems to be growing more popular and this may be an indication of its increasing value.

### Trends

TRENDS is a weekly news digest especially prepared for the Continental Bank and Trust Company of New York, by Dow Jones & Company, nationally known for its ticker service and *Wall Street Journal*. The bank distributes *Trends* to its customers and prospects, and offers the service to correspondents for distribution over their own signature to their own prospects and customers. The editorial material in *Trends* is a condensation and analysis of devel-

opments in politics and economics. It has proved highly effective as a new business builder and a supplement to sound public relations. Each issue serves as a constant reminder that the Continental or its correspondents are anxious to serve.

### Tradition Preserved

WHEN THE DUKE OF NORFOLK recently sold his great town house in London to make way for modern buildings, he also sold the furnishings at auction. Believing one of the articles so closely associated with the name of Norfolk should have a place in its city,

the National Bank of Commerce of Norfolk cabled its London correspondent to make an appropriate purchase at the sale. A Pembroke table of the period of about 1780 was selected.

### Employee Booklet

FEELING AT HOME on the new job is a problem which every new employee faces. It is a critical time for starting off on the right foot and cementing relations. Recent sidelight is a booklet produced by the Morris Plan Bank of Virginia (Richmond). Paragraphs highlight the history of the bank, outline essential qualities for a successful career

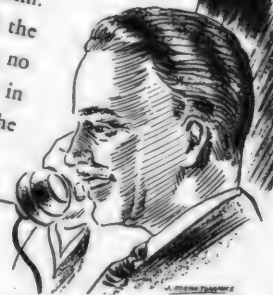


Don McCallum wanted his insurance to be an  
**INVESTMENT  
IN CERTAINTY**

Being a shrewd buyer, he of course wanted to get the most for his money. But he realized that sharing profits also implies sharing risks and that taking chances on insurance is false economy.

... So he turned to the  
**HOME-TOWN  
Insurance Agent**

"I've decided to let you handle all my property insurance, John. No sharing the risk with the company for me—I'll take no chances. I know now that in insurance, if in anything, the best is the cheapest."



Now he has a **RIGHT  
TO FEEL SECURE**

*Fire • Automobile • Marine • Casualty • Fidelity • Surety*

**FIREMAN'S FUND GROUP**  
FIREMAN'S FUND INSURANCE COMPANY

HOME FIRE & MARINE  
Insurance Company

OCCIDENTAL  
Insurance Company



FIREMAN'S FUND  
Indemnity Company

OCCIDENTAL  
Indemnity Company

New York • Chicago • SAN FRANCISCO • Boston • Atlanta

**STRENGTH • PERMANENCE • STABILITY**

### HEADS INDIANA U.

Herman B. Wells, a 35-year-old business executive has been appointed president of Indiana University. He is a member of the Research Council of the A. B. A.



in the bank and the ways in which the bank tries to help its employees live up to what it expects of them.

Among these numerous employee services are medical care, A.I.B., bank club, *Credits and Debits* (employee house organ), bonus for new business, prizes for suggestions, employee rating and job classification, vacations and holidays, insurance, compensation, hospitalization, pensions and unemployment compensation.

The rear cover page of the booklet is extended, folded and stapled, making a convenient pocket for additional data that employees collect.

### **New Thrift Ads**

OPENING GUN in a new series of thrift ads sponsored by the First National Bank in St. Louis strikes back to fundamentals and ties in copy with the bank's slogan, "Through the Years". Follow-up campaign uses vivid, human interest photographs which are story-telling in themselves.

### **Exporter's Handbook**

THE NEWLY COMPILED *Exporter's Handbook* of the Manufacturers Trust Company, New York City, goes into second printing in its second month,

which incidentally is evidence of American business' interest in the condition of foreign markets. This book contains comprehensive data on stamp duties, protest fees, benefits derived from protest, and exchange regulations in most countries of the world that buy from us. Collection tariff data is also included.

### **Via Post**

BANKING-BY-MAIL has been featured by a large number of banks for something like 30 years. Some have developed an extensive out-of-town patronage, but others find it difficult to get over the hurdles of breaking down first resistances. One problem, the already wide distribution and use of mail forms, seems to be effectively solved by the Buffalo Savings Bank (New York). The bank issues a number of deposit and withdrawal slips stapled in booklet form and perforated for convenient use—just like a small personal check book. By-mail data and other information is continued on the cover and insert pages.

### **Bank Service**

WHEN ONE STARTS TO TELL the public of the benefits of banking the range of service may seem limited. But take the case of the Granite Trust Company of Quincy (Massachusetts). One year ago a series of 20 weekly newspaper ads based upon service themes—"How We Can Serve You"—was planned. Now the series has been extended to over 60 consecutive messages. And there are more to come—enough, in fact, to carry the campaign through a second year, for a number of the bank's services have not yet been covered. Reactions reported by the bank prove that the public appreciates information of this kind and is surprised at the extensiveness of bank services.

### **Little Known Facts**

PACKED IN THREE SHORT PAGES is a résumé of Virginia's laws providing for the distribution of property and other assets of estates for which no wills are left. Produced and distributed by the Virginia Trust Company, this folder contains a series of pie-charts which illustrate all the circumstances affected by the law and the distribution provided for survivors. The folder adds that if you leave no will, the state must distribute your estate according to inflexible regulations made to meet the ends of impartial justice, where the human justice that comes from knowing your family personally is unknown.

## **Investment Portfolio Management**

### ***The Dominant Factor in Bank Earnings Today***

THE last decade has witnessed a striking change in the character of bank earning assets.

Whereas investments ten years ago constituted approximately 30% of the total loans, discounts and investments of all banks throughout the United States, this ratio has now risen to well over 50%.

This significant trend has naturally brought about a corresponding change in the source of bank income. Because of this development, supervision of the investment portfolio has become perhaps the most important problem in bank administration.

Manufacturers Trust Company, through its Investment Advisory Service, is assisting numerous banks throughout the country in the formulation of investment policies and the solution of investment problems. Financial institutions are cordially invited to utilize our broad facilities for investment advice.

## **MANUFACTURERS TRUST COMPANY**

*Investment Advisory Division*

55 BROAD STREET, NEW YORK



# THE MASTER KEY *to*

*prompt collection of  
Wisconsin items*

Of the 605 banks in Wisconsin, 523 are First Wisconsin correspondents. This is the master key to prompt, efficient,

economical collection of Wisconsin checks and drafts. For these hundreds of banks . . . linked by mutual interests and mutual service . . . constitute a statewide network uniquely geared to the Wisconsin needs of other banks and business corporations. Bank officials and business executives are invited to write for a copy of our interesting, unusual WISCONSIN SERVICE MAP . . . showing in detail the scope of First Wisconsin correspondent contacts throughout this state.

**FIRST WISCONSIN NATIONAL BANK  
OF MILWAUKEE**

*Wisconsin's Bank for Banks*

Member of Federal Deposit Insurance Corporation

# GEORGE S. MAY MARKETING ACHIEVEMENT

GEORGE S. MILLER, PRESIDENT

ROBERT P. MILLER, Secy & TREAS

**ART-TEX**  
REG. U.S. PAT. OFF.

**ROBERT P. MILLER COMPANY**  
MANUFACTURERS OF

*Ladies' & Childrens Fine Ribbed Underwear*

*Miller  
Maid*

SHOEMAKERSVILLE, PA. March 29, 1938.

George S. May Company,  
122 E. 42nd. St.,  
New York, N. Y.

Gentlemen,

The marketing installation that you are making for us is nearing completion and we wish to tell you how pleased we are with the progress to date.

When your marketing counselors came in, we were running our mill only two days per week. After three weeks work, you had succeeded in bringing our distributors into line and at the end of five weeks, we were running overtime with a back-log of seven weeks supply of unfilled orders.

Your marketing engineer installed a profit control. This control enables us at all times to determine the effect of price and volume on our net profits. We manufacture a comprehensive line of knit goods. This management tool is invaluable and gives us a feeling of security in the knowledge that at all times we really know our true position and trend.

You conducted a product research and revealed the weaknesses in our line and the corrections necessary to bring us up to date. The market research showed us our true competitive situation.

Even though your marketing staff was working between seasons, nevertheless you succeeded in giving us a modern plan of distribution which now places us in a position of being able to keep pace with the trends in our industry. We believe that a strict adherence to your sales operating plan will give us a balanced production throughout the year, and eliminate the severe seasonal dips we have always been forced to endure.

We appreciate the skill with which you have applied modern marketing methods in a practical manner to find a solution of our distribution problem.

Very truly yours,

ROBERT P. MILLER COMPANY

*Robert P. Miller*





On April 7th  
Robert P. Miller  
again writes . . .

ROBERT P. MILLER, Secy & Treas.

**MILLER COMPANY**  
MANUFACTURERS OF  
*Children's Fine Ribbed Underwear*  
**SHEDDENBURGH, PA.**

*Miller  
Maid*

April 7, 1938.

George S. May Company,  
122 East 42nd Street,  
New York City, N. Y.

Gentlemen:

Your company is completing an engineering installation for us and we desire to express our satisfaction and enthusiasm for the results.

Naturally, with a comparatively small concern of our size, when we first considered the services of an engineering concern, we made a very thorough investigation. We were conscious of the courage that it takes to lay out the investment necessary for the installation, but as your work progressed we could see actual and visual accomplishments that justified our decision. As a result, we have been put in a position to compete with the trade under today's depressed prices.

We are glad to say that we have checked with your staff and we find that the reductions in costs considerably exceed your original estimate.

While our previous piece rates were very much out of line, adjustments have been made so that many of our employees are now earning more than they made before and with the present possibility of our getting into the market, we expect that all employees will earn considerably more than they did before, over a period of a year. In spite of these increased earnings of our employees, the cost reductions have exceeded by 38% the amount originally estimated in your survey.

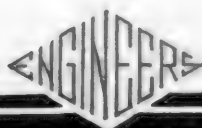
During the adjustment of the rates, every situation that might have developed into any labor disturbance was anticipated by your engineers and was avoided by diplomatic handling.

Your physical rearrangements of our plant have been particularly pleasing. They have resulted in a straight line flow of production and in one department alone, they have reduced the weekly man hours necessary for normal production from 900 hours to 600 hours, a reduction of 33%.

We expect to call on your company periodically for your advice to help keep our development in line.

Very truly yours,

ROBERT P. MILLER COMPANY  
*Robert P. Miller*



**GEORGE S. MAY COMPANY**

CHICAGO 2600 North Shore Ave. SEATTLE 710 Second Avenue ATLANTA 134 Peachtree St. NEW YORK 122 East 42nd St.

CANADA: George S. May, Ltd., 120 Bay St., Toronto

OFFICES IN 15 OTHER PRINCIPAL CITIES

# NATIONAL ANNOUNCES



## AN IMPROVED SAVINGS ACCOUNT POSTING MACHINE

Many new improvements make this ever-popular machine even more valuable to banks. . . . The teller posts a deposit or withdrawal on ledger card and depositor's pass-book in less time and with greater ease . . . providing faster window service to

depositors . . . greater posting production for the teller . . . and positive auditor control. . . . Ask our local representative for a demonstration of this improved National for savings departments. Or, if you prefer, write us direct.

*THE National Cash Register Co.*

DAYTON, OHIO

Cash Registers • Bank-Bookkeeping Machines • Typewriting-Bookkeeping Machines • Check-Writing and Signing Machines  
Posting Machines • Analysis Machines • Postage Meter Machines • Accounting Machine Desks • Correct Posture Chairs

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June

# Farm Income and Land Values

ALTHOUGH farm income has almost doubled since 1932, land values have scarcely responded, says a study of agricultural realty prices and farm cash revenue, made by the Department of Research and Statistics, Federal Reserve Bank of Kansas City. The survey covers the seven states in the 10th Reserve district.

"A number of reasons may be given to explain this weak response," asserts the study. "One is that after 13 years of drastic liquidation there is still considerable distress farm land overhanging the market. Another thing that must not be forgotten is that while farm income has risen markedly since 1932, the land is not producing all of this income—an important part of it consisting of Government largesses. . . .

"Never before has there been greater interest in land values. With the decline in the volume of commercial loans, banks increasingly are making real estate loans. In rural communities land values of necessity have a bearing on the soundness of bank loans—whether real estate or otherwise. In the purchase of any capital asset, the price of which fluctuates widely over periods of time, the timing of the purchase is of the essence. . . .

## BEST LAND VALUE INDEX

"CASH farm income is undoubtedly the best index of land values, for cash income reflects not only production and prices but Government payments as well. But the common mistake is that of placing too great emphasis on past income. This was the tragedy of 1919-1920.

"The ordinary person is prone to assume that a condition that has existed for some time will continue indefinitely and this tendency accounts for the fact that land values tend to follow changes in cash income. But the purchase of land involves the purchase of the right to receive future income and if the veil to the future could be drawn aside, thus permitting the discounting of the future, land values would precede, not follow, changes in farm income."

The study presents a chart tracing land values and farm prices over a number of years. Commenting on the course of the two lines, the striking lag of realty prices after revenue is noted.

"From 1915 to 1919," it says, "farm income rose spectacularly because of war prices of farm products. In 1916

land values began a rise that culminated in the great post-war boom in land values. Between 1919 and 1921 farm income fell disastrously and land values started a decline that was not completed until 13 years later. Between 1921 and 1923 farm income rebounded somewhat and the curve then flattened out for four years. From 1927 to 1929 farm income strengthened again. But the best the improvement in farm income between 1921 and 1929 could do was

to slow down the decline in land values—the value of land being almost stationary between 1928 and 1930. Between 1929 and 1932 farm income experienced a decline even greater than that between 1919 and 1921, and another serious fall in land values soon followed.

"Probably the most significant thing the chart discloses is the feeble response land values have made to the increase in farm income since 1932."

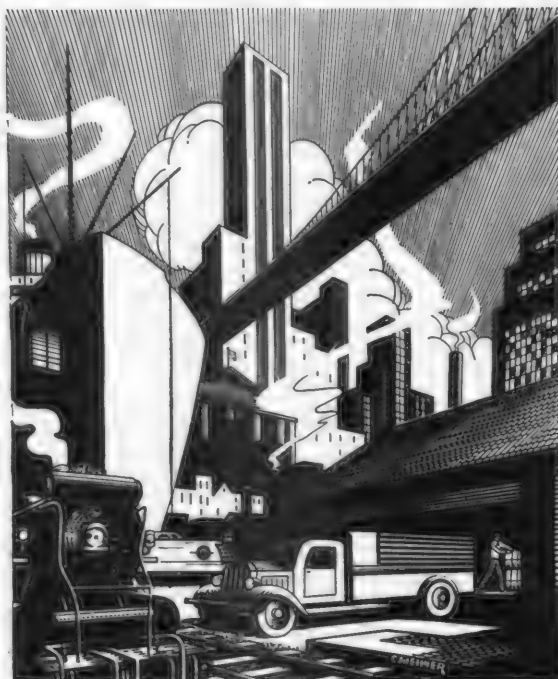
*Where service  
to correspondent banks  
has been developed  
through  
more than half a century*

•

CONTINENTAL ILLINOIS  
NATIONAL BANK  
AND TRUST COMPANY  
OF CHICAGO

*Member Federal Deposit Insurance Corporation*

## THE PROTECTED PAY ENVELOPE



### PUBLIC RELATIONS WORK begins at home . . . . .

MANY executives believe that there is a crying need in American business today for better public relations. There is no lack of opportunities for effective work in this field. Where to begin is a more difficult problem.

Yet, isn't it true that a company's own good relations with employees . . . its expressed interest in bettering conditions and promoting security . . . is a primary step in the direction of good public relations? When a man says, "I work for a fine company," he makes a fundamental contribution to the building of goodwill. Almost invariably when asked to tell why he likes to work for his company, such a man will mention group insurance as one of the benefits he enjoys.

The further step toward CONTINUITY OF INCOME for employees through group insurance, now available under the Connecticut General "Protected Pay Envelope" Plan, is so timely as to warrant the interest of every executive and banker. Our recently published booklet "The Protected Pay Envelope" explains this plan in detail. We shall be glad to send you one or more copies on request.



\* \* \*

*If you operate a personal loan department, we shall be glad to send you also our booklet "Creating New Business Through Insured Personal Loans."*

**Connecticut General**  
LIFE INSURANCE COMPANY  
Hartford, Conn.

Life, accident, sickness insurance, annuities and all group lines.

## A Statewide Pension System

THE New York State Bankers Retirement System, organized January 1, is to operate under the state insurance law, supervised by the Insurance Department of the State Government and subject to examination by that department. Authority for the system to commence operations was granted in a certificate issued by Louis H. Pink, superintendent of insurance, and it was announced that the fund would function when 1,000 officers and employees of banks had indicated their desire to participate.

Under the plan, for future service bank employees will contribute 4 per cent of their salaries and employing banks approximately 5 per cent of their payroll. These contributions to the fund will be invested in securities legal under the laws of New York State for investment by life insurance companies. They will provide pensions upon retirement at age 65, disability allowances after 10 years of service, and death benefits for the dependents of employees who die in service amounting to one-half of a year's salary plus the sum of the employee's own contributions.

In addition, banks may purchase retirement incomes for their employees for service previously rendered.

The fund is to be administered as a private trust by a board of trustees, the chairman of which is Raymond F. Leinen, executive vice-president, Lincoln-Alliance Bank & Trust Company, Rochester. Other members are: H. H. Griswold, vice-chairman, president, First National Bank & Trust Company, Elmira; Dave H. Morris, Jr., treasurer, vice-president, Bank of New York and Trust Company, New York City; George F. Bates, vice president, Power City Trust Company, Niagara Falls; David C. Warner, president, Endicott Trust Company, Endicott; Henry D. Fearon, president, Oneida Valley National Bank, Oneida; James E. Voorhees, president, Farmers National Bank, Amsterdam; Thomas H. De Laire, vice-president, Fishkill National Bank, Beacon; John W. Roeder, vice-president, Peoples National Bank, Brooklyn; William L. Gillespie, president, National Commercial Bank & Trust Company, Albany, and J. Herbert Case, R. W. Pressprich & Company, New York City. W. Gordon Brown, executive manager of the New York State Bankers Association, is secretary of the system.



# A Study of Short Selling

THE Twentieth Century Fund has appointed a special investigating committee to make a study of the practice of short selling. The chairman is Henry I. Harriman, Boston utilities executive and former president of the United States Chamber of Commerce. One of the members is Henry Bruere, president of the Bowery Savings Bank, New York City.

Exploratory phases of the inquiry were undertaken some time ago. The present project was undertaken originally at the request of the New York Stock Exchange, the Fund has announced, and marks the first time that an outside agency has been invited to investigate Exchange procedure. The Fund says the study will be made at its expense and will be strictly independent. The scope covers not only the effects of short selling on market prices but also upon the adequacy of the market for individual stocks.

The investigation will include: Study of legislative experiments in the regulation of short selling, and their effects; consultations with professional traders and market operators, government officials, critics of the exchange, and academic students of the subject; clarification and interpretation of existing statistical data on short selling; analysis of new data to be furnished by the Exchange.

## COUNCIL PRESIDENT

Walter W. Smith, president of the First National Bank in St. Louis, has been re-elected president of the Advisory Council to the Board of Governors of the Federal Reserve



KAJIHARA

Members of the committee, in addition to Mr. Harriman and Mr. Bruere, are:

Professor O. M. W. Sprague, internationally known economist; Carle C. Conway, chairman of the board of Continental Can Company and recent chairman of the special committee appointed by the Exchange to recommend improvements in its organization; Alvin S. Johnson, professor of economics at Yale University and

director of the New School for Social Research; Frederick R. Macaulay, economist and member of the investment counselling firm of Bernstein-Macaulay, Inc.; Frederick C. Mills, professor of economics and statistics, School of Business Administration, Columbia University; Donald M. Nelson, vice-president, Sears, Roebuck and Company; and William S. Wasserman, president, Investment Corporation of Philadelphia.

## "A LOCAL HABITATION AND A NAME"



## THE MAGIC

## ...of local names

Every now and then you hear somebody say, "People don't read any more." You know how silly such a statement is, but have you ever considered how untrue it is of one medium in particular?

This medium, of course, is the Localnews Daily. Today, as always, people like to see their names in print; and the names of their kith and kin, the names too of their friends and acquaintances.

Local names make local news. And local news is the news everybody most enjoys reading. Thus Localnews Dailies deliver a reader interest not matched by any other advertising medium.

*"The more names, the more news"*

# LOCALNEWS'S *Dailies*

CIRCULATION OVER 20,000,000 DAILY

Copyrighted by The Julius Mathews Special Agency. Newspaper Representatives serving national Advertisers through recognized advertising agencies.

## Just Between Us

**M**AXIM: It is wise to diversify. If your bond list shows diversification of risk, the defaults won't come all at once, but will be strung out over all 12 months of the year.

With undiversified investments, banking is apt to be excruciatingly painful. Diversification transforms the sharp pain into a dull, continuous ache, which unfortunately is about the best you can hope for.

The Department of Agriculture has actuarial tables showing the expected mortality for farm animals. They say 40 per cent of the 1938 Spring pigs will die short of maturity.

Principal inroads will come, it is expected, from cholera, influenza, necrobacillosis and the like.

But that is to ignore the most fatal of all diseases of farm livestock—encumbrance.

You bankers all know how this dread malady works. Bill Smith, who has 200 shoats, mortgages 100 of them to his bank. They take the flu, then the cholera hits them, and afterward something else. From this and that cause, Bill loses 50 pigs in all.

And so, when the herd is driven to market, the poor bewildered banker asks Bill how come his chattel calls for 100 pigs, while the sales slip says only 50. "Oh," says Bill airily, "hadn't you heard? The other 50 died."

And all that time, needless to say, the unencumbered shoats have remained singularly healthy.

A personnel officer requests a list of the major qualifications of a good banker. In employing strangers, he is often fooled by appearances.

That is easy to understand. We've all known enough examples that prove it's better to be a real banker than to look like one.

It may perhaps be that there are certain characteristics common to all good bankers. If there are such, the chances are that they are concentrated above the shoulders and below the diaphragm.

Chestiness, for example, is an important attribute in prize fighting or distance running; but for a banker, the over-expansive chest is an over-expensive luxury.

So let us examine our candidate for bank office. Is he long-headed? Will his head reach, let us say, from 1938 to 1968 without overstretching? There is always a day of reckoning, even on a 30-year bond.

The good banker is a peculiar organism. If he is "in good shape", he's in pretty bad shape. Look at his ears, for instance. He's deaf in one, of course; the other he always carries close to the ground.

The eyes of a good banker are likewise non-synchronizing. One is myopic, so he can't see the tear in the widow's



**ESTABLISHED MARCH 24, 1933**

☆

**RESOURCES EXCEED**

**\$400,000,000**

☆

**NATIONAL BANK**

**OF DETROIT**

**DETROIT, MICHIGAN**

**Member Federal Deposit Insurance Corporation**

## The Riggs National Bank

OF WASHINGTON, D. C.

welcomes the opportunity to be of service to  
bankers and their clients in the  
Nation's Capital.

### Complete Banking and Trust Service

ROBERT V. FLEMING

President and Chairman of the Board

GEORGE O. VASS

Vice President and Cashier

**Resources over \$100,000,000**

Member Federal Deposit Insurance Corporation

eye as she pleads for some privilege which can be granted only on the ground that she is helpless and lorn.

Meanwhile with his other—the telescopic eye—this good banker gazes out into the distance and sees the copious tears that will be in that same widow's eyes a year or two from now if he does grant the favor she asks. Yes, and in the eyes, perhaps, of many another lorn depositor of his bank.

The good banker must have a tough, strong neck, immune to pain, because that's where he is going to get it, day after day.

The fingers of the banker should be supersensitive, so that he can always and instantaneously tell the bank's money from his own.

The good banker has a heart that is reducible and retractable. Let it be as large as you please when he is dealing with his own money, it will instantly shrink and withdraw when he starts discussing the use of bank funds.

Below the diaphragm, he will be fitted with an abdomen sufficiently roomy to accommodate a plentiful supply of those elongated mechanisms which traditionally occupy that space.

#### ATTORNEY

Frank J. Hogan, attorney of the Washington, D. C., bar, has been nominated as president of the American Bar Association



In his business, he's going to need every inch of them.

The banker's feet need not be of any particular shape or size, but they should be prehensile, always sticking to the ground. One other thing: they shouldn't be too far away from his head, for it is bootless to have his feet on the ground if his head is at the same time in the clouds.

Perhaps it is a little less than exhilarating to interview this good banker of ours on a business matter. Disconcerting, maybe, to have him turn his my-

opic eye and his deaf ear to you while he gazes out into the future with his good eye and sees your loan as it will look then.

Console yourself, though, with the thought that when you meet him outside some day you'll find he isn't a bad fellow at all. For he will not be irritable and absent-minded, worrying about the things he did in the office today.

And the chances are, if some day you come into money, you will chase right over and deposit it in his bank.

ROSCOE MACY

## SHORT AND MEDIUM TERM Municipal Bonds Suitable for Bank Investment

### BIRMINGHAM, ALA.

Refunding 3.50s . . . . . Due 4-1-44, 46/53

### BOSTON, MASS.

Temporary Loan .90s . . . . . Due 4-12-39

### ERIE, PA.

School District 2.25s . . . . . Due 5-15-42/45

### GRANVILLE, N. Y., TOWN OF

Public Relief 2.10s . . . . . Due 4-1-42/48

### GUILFORD COUNTY, N. C.

Refunding 3s . . . . . Due 5-15-44/53

### ISLIP, N. Y., TOWN OF

Union Free School District #1 2.90s . . . . . Due 8-1-49/53

### JERSEY CITY, N. J.

City Hospital 4s } . . . . . } Due 10-1-41/44  
Serial Refunding 4s } . . . . . } Due 7-1-42/44

### LAWRENCE, MASS.

Municipal Relief 2s . . . . . Due 4-1-44/48

### MONTCLAIR, N. J., TOWN OF

Various Purposes 2.50s . . . . . Due 5-16-42/50, 52

### ONONDAGA COUNTY, N. Y.

Various Purposes 2.10s . . . . . Due 2-1-43, 45/46

### ROCHESTER, N. Y.

Public Improvement 2s . . . . . Due 5-1-41, 44/53

### ST. JOSEPH COUNTY, IND.

Refunding 2.25s . . . . . Due 6-1-39, 41/45

### SWISSVALE, PA., BOROUGH

School District 2.25s . . . . . Due 4-1-42, 44/47

Prices and descriptive circulars upon request.

Ask for Bond List KC-68.

## HALSEY, STUART & CO. Inc.

CHICAGO, 201 South La Salle Street • NEW YORK, 35 Wall Street  
AND OTHER PRINCIPAL CITIES

# CONVENIENT



Through its system of Branch Offices, each one giving complete service, Employers Mutual offers you convenience and direct contact. Branch Office personnel handles underwriting service and claims; through this convenient service delays are eliminated and efficiency maintained at a high point. Ask your nearest Office for information.

**EMPLOYERS MUTUAL  
LIABILITY INSURANCE CO.**  
HOME OFFICE: WAUSAU, WIS.

Branch offices in the principal cities of the Middle West. Consult your Telephone Directory

## Two States' Investment Clinics

Washington, D. C.

THE matter of increasing losses on investments by banks is again engaging the attention of supervisory authorities. Such losses are again exceeding recoveries and, on an average, banks are not only losing money on the principal of their investments but their income from investments is decreasing at a time when other means of support are failing them. In the present instance, however, something is being done about it.

Supervisory authorities are now proposing and, in the case of two states, are carrying out the idea of an investment clinic for the banks of their respective jurisdictions—clinics which not only are to serve sick banks but also to go in for preventive medicine to protect banks which may become ill.

### A START MADE

WITH a view of strengthening their banking systems by aiding banks in the investment of their funds, two states—Minnesota and Indiana—have already established offices or bureaus in which economists of the state universities and

the state banking departments cooperate to furnish institutions within their jurisdiction that information which they need to place their funds safely and profitably. The initiative in the matter in both states is taken by the state banking authorities, but in both instances the system is voluntary in the sense that no bank can be compelled to accept the advice of the clinic nor to conform otherwise to its conclusions except in so far as it is affected by the general banking laws of the state.

The Minnesota system is rather more elaborate and is considered more effective than that in Indiana. Under the former system both the investment and loan portfolios of a bank whose investments are considered in need of revision, as reported by the state bank examiners, are sent to the state university authorities, who go over them carefully and report conclusions to the state superintendent. The latter then invites the officers of the institution under examination to meet him and the university authorities at his office. At this meeting the entire loan and investment portfolios of the banks are discussed in detail. The



## HERE'S **GOOD-WILL** AT BARGAIN PRICES



IT costs about 1/100 of a cent to provide a completely satisfying wash-up with the Ivory Soap Dispenser.

And that, you'll agree, is a mighty small price to pay for an A-1 service. Particularly when you get with it the generous good-will which an exceptionally fine service is bound to create.

Yes, you buy good-will at bargain prices when you install Ivory Dispensers in your washrooms. Good-will from tenants—good-will from employees.

Would you like to have the complete story of Ivory Dispenser service? It's available in a descriptive folder which is yours for the asking.

*Beauty and utility reach a perfect balance in the Ivory Dispenser. The Dispenser itself is unusually attractive . . . it will spruce up any washroom. And the soap it delivers is one of America's favorites—pure, gentle, rich lathering Ivory Soap—in fine, free-flowing flakes or granules.*

**PROCTER & GAMBLE, Industrial  
Sales Dept., Gwynne Bldg., Cincinnati, Ohio**



authorities point out what are considered weak spots in the investment set-up and indicate what they consider the bank's security requirements in relation to its loans and otherwise. They suggest a rounded and safe use of the bank's earning assets and endeavor to work out, with the bank's officers, a sound investment policy.

This plan, originally designed to correct existing weak spots in investments, has been so successful that many banks in the state are now applying for advice in their investment problems. The arrangement is considered more or less temporary, since so far the university has lent the services of its economist without remuneration from the state. It is hoped and expected that the arrangement will be put upon a permanent, legal basis. Only close, voluntary cooperation between the university and the state superintendent has made the present arrangement possible.

#### THE HOOSIER SYSTEM

IN the Indiana system the investment portfolio of a bank, as reported by the state bank examiners, is forwarded by the state superintendent to the school of business administration of the state university under a code number. The authorities of the school examine the portfolio from a general investment standpoint and report their conclusions to the state superintendent, who then informs the bank of the results of the analysis and endeavors to induce the bank to modify its investment policy accordingly. However, since the university authorities have only the investment portfolio under consideration, have no knowledge of the location of the bank, its loan policy, local conditions and other information necessary to form a fair judgment of the bank's problems, the advice given is naturally less authoritative and final.

Both of these so called clinics or bureaus issue bulletins, usually monthly, publishing matter bearing upon bank investments. That of the Minnesota authorities contains considerably more matter than its Indiana counterpart, much of which has been prepared by W.P.A. white collar workers under an allowance from the Federal Government. Included in the published matter are business reports and returns bearing upon the value of corporate securities, an elaborate series of ratios indicating anticipated and realized investment results, bank earnings and other data bearing upon the operations of the state's banks. Each number of the Indiana bulletin is usually devoted to the discussion of one subject bearing upon

bank investments such, for example, as the necessity of marketability of securities held by the banks.

Federal supervisory authorities, especially those of the F.D.I.C., believe that in these Minnesota and Indiana arrangements, imperfect though they may be in some respects, is the germ of a great idea in the future of state banks, if not indeed, of all small banking institutions. Since, on an average, investments now constitute approximately 57 per cent of the earning assets of all banks, including country banks, the danger of serious losses on this account has been greatly enhanced. The blind-

ness with which many bankers have entrusted the greater part of their investment funds to industrial or commercial enterprises without sufficient information as to their worth and in times of serious business disturbance has appalled more than one investigator.

An arrangement whereby state authorities can furnish expert and unbiased advice not only for the correction of present evils but also to avoid future troubles and do so at no cost, or at least at a nominal one, can easily be made impressively useful.

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# Servicing Housing Mortgages

Washington, D. C.

**B**ANKERS generally are fairly well satisfied with the terms offered by the R.F.C.'s National Mortgage Association in connection with service fees to be collected by banks and other lending agencies on home mortgage loans sold to the association. However, it must be confessed, they are not unduly impressed by the association's generosity. Since no service charges are to be collected from the mortgagor under the amended Housing Act (they were allowable under the original law) an adjustment has been made with respect to mortgages on owner-occupied dwellings insured before and after the changes in the law.

The association will buy mortgages of this class, under Section 3 of the Act, where construction of the dwelling was commenced after January 1, 1936, and the mortgage insured after January 1, 1937. Where the mortgage bears an interest rate of 5 per cent and the mortgagor, as under the new law, is not required to pay a service fee the association will allow the bank or other seller of the mortgage  $\frac{3}{4}$  of 1 per cent of the loan annually payable, out of the interest collected, as a service fee. If the mortgagor is required to pay a service fee, as under the original Act, a fee of  $\frac{1}{2}$  per cent of the loan, payable out of the interest collected, will be allowed annually for servicing the loan. Where

the interest rate is less than 5 per cent the service fee will be reduced to a rate which will allow the association a net return of  $\frac{1}{4}$  per cent on the loan.

The National Mortgage Association will do its own servicing of mortgages sold to it covering loans on rental property constructed by a municipal, state or Federal agency, limited dividend corporations, cooperative associations and the like under Section 207 of the law. This seems to be due to the fact that the Federal Housing Administration may take stock in such construction enterprises and the Federal authorities are more directly concerned in them. However, applications must be made by the mortgagors to the association for the purchase of their mortgages before construction of the residential units is commenced. The association will purchase and service mortgages of this class which bear an interest rate of  $4\frac{1}{2}$  per cent. Mortgages on multiple dwellings costing from \$16,000 to \$200,000 under Section 210 of the law and bearing 5 per cent interest may carry a service charge of  $\frac{1}{2}$  per cent, payable out of the interest collected, unless the association elects to do its own servicing. If the interest rate is less than 5 per cent the service charge will be reduced to net  $4\frac{1}{2}$  per cent.

The association expects to do much of its business in direct loans to mortgagors under Sections 207 and 210—i.e., on rental property constructed by public or semi-public agencies and upon multiple dwelling enterprises as described above. Where the association makes advances during construction a charge of  $1\frac{1}{2}$  per cent of the principal amount of the loan in the case of rental property under Section 207 and 2 per cent in the case of multiple dwellings under Section 210 will be charged. Also, where the association makes a commitment to purchase a mortgage for future delivery it will require a deposit of 1 per cent of the loan, which will be returned to the seller when the mortgage is delivered and accepted.

There is some question as to how far banks and other private lenders can dovetail their operations in with these latter arrangements. For most banks the better business and probably the greater volume of business will be done in the low cost home building under Section 203 of the Act. In this they have a fair service charge and no competition from the National Mortgage Association.

G. E. A.

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ALUMINUM WARE	CIGARS	ENGINES	LIVESTOCK	RAILS (STEEL)
ASPHALT	CIGARETTES	FEEDS	LUMBER	REFRIGERATORS
AUTOMOBILE	CLOTHING	FERTILIZER	MACHINERY	ROSIN
ACCESSORIES	CLOTH	FIREWORKS	MALT	RUBBER
AUTOMOBILES	COAL	FISH (SALTED	MEAT	SALT
BEEWAX	COCOA BEANS	AND PICKLED)	METALS	SEEDS
BLANKETS	COFFEE	FLAX	MILK (POWDERED)	STEEL
BOTTLES	COKE	FRUIT	MOLASSES	STRAW
BRANDY	COMPOSITION	PRODUCTS	NAILS	SUGAR
BRASS	BOARD	FURS	NOILS	SULPHITE
BREWER'S	CONFECTIONS	GLASS	OIL BURNERS	TALLOW
FLAKES	COOKING UTENSILS	GLASSWARE	OLIVES	TEXTILES
BRICKS	COPRA	GOLD	PAINTS	TIRES
BRUSHES	CORD WOOD	GRAINS	PAPER	TOBACCO
BURLAP	COTTON	GROCERIES	PEANUTS	VEGETABLES
CABLE	COTTONSEED CAKE	HARDWARE	PETROLEUM	WINES
CANNED GOODS	MEAL AND OIL	HAY	PICKLES	WOOL
CANS (EMPTY)	DISTILLED SPIRITS	HEMP	PIPE	


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## Development of Common Trusts

*Washington, D. C.*

**I**F safer investment and better returns for trusts held for the benefit of the "little fellow" depend upon a more general adoption of the common trust method of handling such accounts, it would appear that it is likely to be some time before that end can be attained. In so far as the adoption of this method depends upon state legislation—and in most states it does—the only progress made during the legislative season now brought to a close has been the enactment of a new law in Kentucky permitting the pooling of trust accounts within rather narrow limits.

### THE EIGHT STATES

KENTUCKY is the eighth state to have legislation on the subject, the other seven being Delaware, Indiana, Ohio, Oregon, Pennsylvania, Vermont and New York. Few of the statutes in these several states are satisfactory, either because of limitations they contain or because of provisions which are too indefinite to justify banks in proceeding under them.

### THE NEW YORK LAW

**EVEN** where state laws are satisfactory, however, there seems to be hesitancy on the part of banks and trust companies to take advantage of them. The New York law passed nearly a year ago has been and still is considered the model act in this matter. Regulations by the state banking board under this act were withheld in the first place until the Federal Reserve Board could issue its new regulations on the subject under the provisions in the Revenue Act of 1936, freeing such trusts from taxation when operated in accordance with the Reserve Board's regulations. After the Reserve regulations were announced and put into effect last December 31, the New York regulations passed through a long period of incubation and were announced at the end of April. They cover the same points and agree with the provisions of the Reserve Board's Regulation "F" and, in addition, contain provisions not included in the Federal Reserve's regulations. These include a requirement that double entry accounting records be kept on an accrual basis for each fund; a provision that more than one fund may be established, but



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that separate approval of the state banking board must be obtained for each fund; that participating accounts may have investments in only one active fund; and a provision for prescribed amortization.

#### NO STATE TAXES

THE New York act also relieves the common trusts from state taxation, to which they had been previously held subject. Both the New York act and the Reserve Board's regulations limit the amount of funds of any estate or trust which may be invested in a common trust fund to 10 per cent of the assets of the common trust, or \$25,000, whichever is the less at the time of investment. The New York act and the regulations under it and the Reserve Board regulations run so closely parallel that it is evident that all of them were drafted after consultation with a view of establishing a model system so far as that may be possible under present conditions.

Reserve Board officers report that since no license or other permit is required for a member bank to commence operating such trusts, there is no means of ascertaining how many, if any, member banks have inaugurated or are preparing to inaugurate the system, but casual reports from the field show no general movement to take advantage of the new regulations.

#### MANY PRACTICAL PROBLEMS

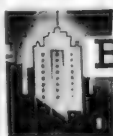
THE situation suggests that, while bankers are very much in favor of common trusts as a theoretical proposition and, indeed, have sought legislation authorizing them, they realize that the practical operation of such investments may be difficult and even dangerous to all concerned until the full import of the new laws and regulations is better known and until more experience in practical operation can be had. In the ordinary course of administrative routine in most institutions it will also be some time before a sufficient volume of trust funds suitable for common trust investment can be accumulated or transferred to justify the formation of an investment pool for them. Nor can a widespread adoption of this method of handling small trust accounts be expected until the laws of more states are brought into harmony with advanced thought on the subject, although with several exceptions the states which contain most of the large trust companies and banks with large trust departments have already taken some steps in that direction.

G. E. A.



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2. Inflammable material in elevator shafts.
3. Attic spaces littered with trash.
4. Tenants' storerooms untidy.
5. Oil burner: Main supply line not equipped with anti-syphon device to prevent flooding boiler room with oil in case of a break.
6. Wiring: Five extension cords found frayed to point of shorting in inflammable display material in drugstore, main floor.
7. Fire hose: Useless from several years on racks without attention.
8. Windows: Clear-glass windows in stairwell on side next to old building. Need wire-glass windows to stand up in case of fire next door.

By following the engineer's recommendations, the owners not only eliminated serious fire hazards but they reduced their initial insurance rate as well. These savings were augmented by the dividends B-O-F has paid annually to policyholders since organization. You, too, can profit by B-O-F's tailor-made insurance, limited to fire-resistive office and semi-public buildings. Write today for complete details of B-O-F service.

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## How to Treat Your Employer

WE have been led to believe that there is but one angle to the employer-employee relationship: the ability, desire and willingness of the employer to get along and cooperate with the employee. Maximum hour and minimum wage scales and prescribed rules for working conditions have been formulated, and, in some cases, have been adopted. All have been for the benefit of the worker.

Has any one ever seen or heard of regulations which prescribe levels of efficiency or loyalty which the employee must attain and then maintain?

#### TWO-WAY RELATIONSHIP

THIS vital relationship has been handled and discussed principally on a one-sided basis. While the employee may definitely expect certain rights, privileges and pay, the employer also has rights, privileges and demands which he can reasonably expect from and place upon those who work for him.

Discussing the office worker, we may safely begin with the premise that he or she is a human being with all the likes, dislikes, loyalties and prejudices inherent in the race. We are all selfish; even the unselfish person obtains a selfish satisfaction from his unselfishness. However, selfishness is not an altogether bad trait if it is coupled with a reasonable intelligence that realizes and sees the need for tolerance of and cooperation with others. For selfishness is often

the spark which fans the essential fire of ambition.

The office worker has the background and benefit of at least an average education. He realizes that money is power, and should realize, but sometimes doesn't, that knowledge is likewise power—knowledge in the sense of knowing the whys and wherefores as well as the hows of his position. Pathetically few strive to acquire this knowledge, academically or practically, after succumbing to the inevitable routine of office work.

#### NEPOTISM NOT UNCOMMON

IT is admittedly easier to stay in mental ruts than to jolt one's self onto the highway of initiative. Ambition must go hand in hand with patience, an attribute which most of us lack. Opportunities for advancement can not be expected daily. The clerk must reconcile himself to the fact that nepotism exists, to some degree, in private business as well as in politics. Relatives and personal friends of owners and officers seem to have an uncanny faculty for advancing themselves. How many employees stop to think that to favor those closest to us is merely the human thing to do? How many are fair enough to admit to themselves that they would follow a similar course were they in a position to do so? Finally, how many are able to judge dispassionately and note that a majority of those who benefit from the practice of nepotism are actually able and completely competent?

#### IT'S EASY TO GRUMBLE

TO grouse, grumble and caustically criticize employers is a habit easily acquired. Most of us are prone to overlook our own shortcomings and place the blame for our seeming inability to get ahead on the shoulders of those whose duty it is to manage, direct and decide.

How many office workers recognize that capital is entitled to at least a sporting chance to earn a reasonable return on its investment? Most capital acknowledges that satisfied personnel is vital for successful enterprise and translates this knowledge into pay scales as adequate as finances will permit. Altogether too few employees seem to realize that their chances for progress are firmly and closely bound to the fate and status of their employers. Intelligence should show that disloyalty, apparent or real,

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to one's employer will ultimately and surely react against him who practices disloyalty as well as against his employer. Public opinion will see to that.

Many "white-collar" workers are victims of self-complacency, content merely to perform their duties in such fashion as will enable them to get by. Efficiency is never attained by the lackadaisical or the disinterested. The employer should be given credit for being able to spot the clock-watcher and the listless.

#### AVOID JEALOUSY

PETTY jealousies, revolving around personalities, are poisonous germs which very often overpower the healthy tissues of ambition and cause a breakdown of office morale. Too few employees display a real sense of responsibility since it is much easier to shirk and avoid than it is to think and perform. But it should be remembered that authority and responsibility are synonymous and those who desire to progress must be willing to accept the burden of responsibility. The Bible says: "He who is faithful in little things will also be faithful in much." Employers keep a watchful eye on those who are diligent, honest and faithful in the discharge of duties which may be rightfully regarded as minor.

There is another Biblical proverb: "As ye sow, so shall ye reap." It is strictly applicable to the personnel problem of today. If each employee could offer ambition, efficiency, intelligence, pa-

tience, loyalty, fairness, understanding, tolerance, willingness, cooperation and a sense of responsibility to his employer, the old and continuing problem of employer-employee relationship would be very, very close to a mutually satisfactory and permanent solution. For, after all, this problem is a human one and, if it is to be settled, it must be settled on a human sort of basis.

#### TOO MUCH NOT EXPECTED

THE cynical reader may say that the writer is visioning and hoping for a Utopia of perfect employees. He isn't, for he knows that the employee who has

all the qualities outlined is rare indeed. What this article is trying to stress is that, if the employee is sincere and conscientious in his efforts, the chances are greatly in favor of his employer's recognizing such efforts and according them their just rewards without harmful conflict, mandatory pressure or legislative edict.

Truly this capital-labor problem is a mutual one and there is much to be said for both sides. However, it might be wise for the employee to put his own house in good order before expecting overwhelming largesse from his employer.

J. L. WORNING



## Take Advantage of a Decision Made in 1764

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WIDE WORLD

# The New Capital Market

A SURVEY conducted by Investment Bankers Conference, Inc., leads to the conclusion that "in the combined judgment of American industry there is not now, and there has not been for two years, a substantial lack of new capital available for the expansion of sound companies."

"Many companies during the past two years," said the Conference in reporting its findings, "could have profitably used new capital for expansion

purposes but were deterred from seeking additional funds because of a lack of confidence in the economic and political outlook.

"This lack of confidence on the part of industry appears to have been engendered in large part by existing laws and by the fear of further adverse legislation."

It was also found that companies which had sought new capital were able to find it in most cases where the pro-

spective borrowers were entitled to credit and where application was made before the business decline and adverse market conditions had their effect on expansion activities and plans.

"The prevailing thought is," said the Conference, "to await further development of the Administration's attitude toward business and better business conditions before doing any more than is necessary to maintain business establishments in working order."

Among the deterrents to expansion the Conference noted the increase in taxes to a level which serves to "deprive the company or proprietor of any incentive to expand." Also, companies in leading industrial regions and in the Pacific Northwest "have been unfavorably affected by labor problems ascribed variously to the National Labor Relations Act, the National Labor Relations Board and the attitude of the Administration toward employers."

Furthermore:

"Conformity with the Securities Act of 1933 and certain Securities and Exchange Commission requirements has proved to be too expensive for some small companies seeking new capital across state lines, has restricted the market for those companies seeking funds within their own states, and has caused a number of expanding concerns to miss the market with their new capital issues.

"Requirements under national and various state banking laws with respect to quality ratings on bond issues for bank investment purposes and severity of bank examiners in several instances, have deprived some concerns of local markets formerly enjoyed by them when seeking capital funds on other than a short term basis."

Answer to puzzle on page 10

C	O	L	L	A	T	E	R	A	L	E	N	D
A	E	R	G	M	N	T	E	S	U	G	A	R
H	I	E	T	E	E	R	S	H	I	P	E	R
W	L	O	H	O	P	U	R	S	E	S	E	S
A	B	A	A	N	N	U	A	L	R	A	C	E
S	T	L	A	V	T	E	E	I	N	E	S	S
H	E	E	D	F	U	L	N	E	S	S	N	E
I	A	L	S	T	N	E	S	S	S	S	S	S
N	A	V	A	L	Y	E	N	R	A	T	E	S
G	I	F	O	M	S	E	R	S	S	S	S	S
T	E	S	T	A	M	E	N	T	P	R	I	C
O	I	A	E	L	M	L	S	S	S	S	S	S
N	O	T	E	P	R	O	S	P	E	R	I	T

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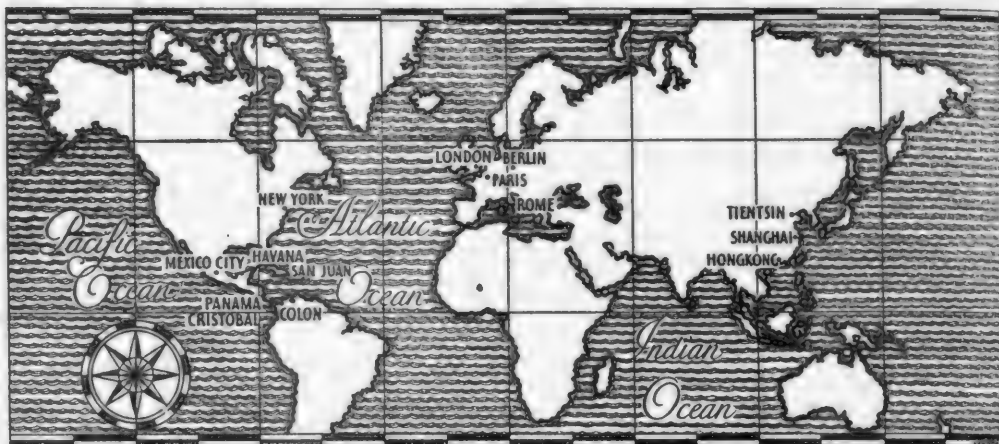
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COMMERCIAL LETTERS OF CREDIT

ACCEPTANCE CREDITS

TRAVELERS LETTERS OF CREDIT

INFORMATION ON FOREIGN MARKETS, CUSTOMS  
AND EXCHANGE REGULATIONS

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# Recipe for Good Money

NEIL CAROTHERS, Dean, College of Business Administration, Lehigh University, in a bank-sponsored radio broadcast.

WE have in our time a vast money system, gold at the base, with small coins for change; then paper money; and beyond that a huge volume of bank checks. These instruments are indispensable to economic life. Repeatedly, communistic experiments have tried to do without money. They have failed.

This modern money system is the measure of all economic values, the instrument of all business. It furnishes the storehouse of our savings, the measure of our future plans. Through its relation to the volume of business it develops a price level, and on that price level depend the value of wages, the cost of living, the prosperity of the nation. The story of money glows with drama. Get your encyclopedia and read about Lycurgus and the money of Sparta or the strange story of John Law or the playing card money of Louisiana or the way Germany established the gold standard.

Government has the power to issue paper money and the power to force all citizens to accept it. In dire emergency these powers have saved nations from disaster. But more often they have brought disaster. There is no limit on the printing-press. As the money pours out, its value falls, prices rise, every fixed income goes down. Carried far, this process tears a country's economic life to pieces. A headlong inflation will take children out of school, eat up half a

working-man's pay while he earns it. In the end comes economic paralysis. Every great nation of the world, except England, has gone through this calamitous inflation course, and there are nations which have gone through it repeatedly.

But men endlessly propose schemes to tinker with this delicate money system, schemes as explosive as dynamite. Because rising prices sometimes give a boost to business, men propose to add silver to gold as the base for money, although that plan has failed for 2000 years. Or they propose arbitrary issues of paper money, although that plan is dangerous when it succeeds and disastrous when it fails. The Townsend plan was founded on the idea that issuing paper money creates employment. The Social Credit scheme, about which we hear so much, is only the Townsend plan in a different dress. It has just failed dismally in a province in Canada.

I know of no instance in history where prosperity has been permanently improved by tinkering with the currency, no case where excessive issues of paper money have not finally reduced employment and impoverished the people.

A Kentuckian once said that the recipe for eggnog is to take a quart of good whiskey and the more eggs and milk you put in after that the worse you make it. The best recipe for a good money is a sound and honest gold standard base, a carefully limited issue of paper money, a well-managed banking system, and the more tinkering you do after that the worse you make it.

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## Central Bank Currency Management

Professor EDWIN W. KEMMERER, Princeton University, before the NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS.

ALTHOUGH there are few countries in the world on the gold standard in a strict sense, almost every important country is maintaining a substantial gold reserve and using it for the purpose of maintaining the value of its monetary unit very close to a gold equivalent that has prevailed for some time. The world's present stock of monetary gold in terms of ounces actually is approximately 40 per cent larger than in the middle of the boom year 1929, when most of the world was on the gold standard. Moreover, many of the principal countries that are today considered to be on a managed paper currency basis such as Great Britain, Canada and the Scandinavian countries, for the last four years have been holding their monetary units close to the value of a fixed quantity of gold in the London market. Their standards, therefore, in fact have departed only slightly from a gold standard.

If our wasteful post-war nationalism is to be broken down and if we are again to have a reasonable system of international trade and finance, it is very important that the leading countries of the world shall have the same monetary standard. For this position in international affairs, the gold standard is

the only standard that at the present time has any chance whatsoever of election.

The gold standard in the principal independent nations in the future probably will take the form of the gold bullion standard. If a true gold standard is to be effectively maintained and public confidence in its money is to be sustained at a high level, there should be a free interconvertibility on demand of all kinds of money, with gold bars at the various offices of the nation's central bank, which in the United States means at each of the 12 Federal Reserve banks.

All currency standards in modern times, including the gold standard, are more or less managed. It is not a question of the presence or absence of monetary management, but rather of the extent and character of that management.

The greatest single danger of currency management is political exploitation for the purpose of meeting the fiscal needs of the state. Currency management, therefore, must not be a political management by Government officials dominated by political ambitions. Furthermore, it should not be a management by private banking institutions dominated by the desire for profit. Whatever management there is should be in the hands of the world's great central banks and not in those of the fiscal offices of the government. The central bank, moreover, should be the exclusive holder of the gold reserve and the sole issuer of the nation's paper money.

It is the central bank and not the government, as long experience in many countries has clearly demonstrated, that is best qualified to give a nation the limited amount of central monetary and credit management the public interest requires.

The central bank should be under the control of a central

board consisting of high type men of expert knowledge, secure in their tenure and free from political pressure. The national government should itself have substantial representation in the management of the central bank but should not dominate that institution except perhaps in time of war.

## No Substitute for Soundness

LEWIS E. PIERSON, Chairman of the Board, Irving Trust Company, New York, and Chairman, Board of Regents, The Graduate School of Banking, before FORUM MEETING, PITTSBURGH CHAPTER, AMERICAN INSTITUTE OF BANKING.

**I**N banking, as in other fields, new developments or practices are genuinely useful only as they are established upon sound and time-tested principles. We have not discovered, and we are not likely to find, any satisfactory substitute either for soundness of fundamental policies or for practical competency of bank management. In an era of change we must exercise our influence in every way possible to the end that sound monetary and banking principles be not compromised and that any new system which is evolved be superior to, or at least as good as, that of the past. The Graduate School should help practical bankers toward a more adequate understanding of the banking system as a whole. But it is also dedicated to the no less important objective of training sound administrators for our banking institutions.

In the span of my 50-odd years in banking there has been ample opportunity for me to observe the differences between good management and bad, for there has always been some of each. And the lesson of the past is clear, that in large part the troubles of our banking system, the criticisms which have been leveled against it, the losses suffered by depositors and stockholders, and the agitation for socialization of banking, have had their origin in the existence within the banking structure of banks which have been badly managed or far less strong than they should have been. Some banks have been undercapitalized from their inception or lacked economic basis for existence; some have had their financial strength impaired by unsound and untested policies of one kind or another; some have made loans without due regard to the adequacy of the security or the integrity of the management and the soundness of the underlying ventures; some have invested with a view primarily to income or profits rather than safety of principal or have employed demand funds in paper of longer maturities than is justified.

Sooner or later such practices sap the strength of individual banks—inevitably they lead to losses which, regardless of their immediate incidence must eventually be assessed

against our whole economic system. Mr. Leo Crowley, Chairman of the Federal Deposit Insurance Corporation, has done an admirable job in emphasizing the importance of strengthening the banking structure and in offering specific proposals, both critical and constructive, looking toward this end. Mr. Crowley's warnings are not to be regarded lightly. Unsound policies and poor management should be discouraged by all of us individually and collectively at every opportunity.

I would like to dispose of a notion which, at least in some quarters, appears to have gained favor during recent years, namely, that because of the existence of agencies such as the Federal Deposit Insurance Corporation, the Reconstruction Finance Corporation, or the Federal Reserve System, banks which are fundamentally weak can avoid paying the penalty for following practices which you and I know to be unsafe and unsound. Some people, many of whom should know better, are disposed to assume that these organizations afford adequate insurance against the possibility of banking difficulties regardless of the policies of individual banks or the manner in which they are managed. Unquestionably these agencies are capable of rendering important services in times of need but it does not follow that they can perform miracles of creating strength where it does not exist.

In the future as in the past we shall have to look for banking strength in sound management, in assets of sound quality with maturities as short as the circumstances of individual institutions require, and in an adequate buffer of sound bank capital. Only if we build a banking structure on that sort of foundation will it endure.

The need for bankers of sound judgment and thoroughgoing training is probably greater today than it has ever been. The purpose of the Graduate School as I conceive it, is to help meet this need—not so much in teaching the mere mechanics of banking, but by promoting among our younger bankers a better understanding of the broader aspects of monetary and banking policy and by disseminating among an ever widening group of bankers a fuller appreciation of the necessity for and the knowledge of how to create strong individual banks. I am convinced that in our efforts toward this goal a significant contribution can and will be made by The Graduate School of Banking.

### With Cooperation

**I**AM confident that with cooperation between Government officials, tax experts, business and financial groups, social and labor bodies, we can take all the good things that have developed since the beginning of our country and everything that is sound in connection with the so-called New Deal, and mold them into policies that can be agreed upon by government, business, finance and labor as being in the best interests of all the people of our country.—  
THOMAS J. WATSON, President, International Business Machines Corporation, and President, International Chamber of Commerce.

# Knowing the People

A. GEORGE GILMAN, President, Savings Banks Association of Massachusetts, before the NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS.

**D**OUBTLESS most of our banks have no burning desire for any considerable increase in deposits at the present time. We must never forget, however, it is our mission and obligation to teach thrift. Furthermore, we thus protect our banks, and thereby our present depositors from political attack, by the very size of our savings army. We are and must continue to be the banks of the people. Above all we wish to reach the young wage earner, who, in better times, for the first time in his life can become a depositor.

These are some of the things that mutual savings banks can and do teach. It is what they represent, the bedrock upon which they were founded and still stand, well along in their second century of progress.

I asked one mutual official in a small city the reason for the success of his bank, and he answered, "We know the people". How much wisdom there was in his remark! To "know the people" is everything. That is what public rela-

tions means. It is no mystery—some far-away thing wrapped in clouds. Public relations is "knowing the people" right at our door. We are the friends of our depositors and try to meet their needs, individually and collectively, and our depositors in turn are our friends.

Banking is a semi-public business. We are going through a period of social and economic readjustment when the man in the street, the average citizen and voter, has more influence than ever before in formulating the laws that govern all institutions. I have no quarrel with this evolution. Let us recognize it. In the end we will achieve better cooperation and understanding and our nation shall not fail to achieve its great purpose.

Ours is no ordinary job. It is a trusteeship of the first order, a sacred obligation, and I know that every one of us approaches its discharge in that spirit. The things for which the mutual savings bank stands have been the guiding spirit of American life since the nation was founded. I cannot believe that we will depart from those principles now. It is our responsibility and privilege to help, to serve, to disseminate the time-tested doctrine that thrift and truth still are right, and shall prevail.

## Victims of False Theories

CHARLES F. ZIMMERMAN, President, First National Bank of Huntingdon, Pa., before the SPECIAL SESSION FOR BUSINESS EXECUTIVES, WESTMINSTER COLLEGE.

**B**ANKING is gradually being surrounded by greater complexities. The move towards paternalism thus far at least is apparently growing more potent. The whim for Government sponsorship is swinging wide and high, but it is far from "handsome". Different kinds of new credit systems are being set up for us, for the purpose of giving business frequent hypodermics. When the effects of such stimuli disappear from the body economic, further treatments of the same sort are administered, until today we stand in awe—and justly so—of the legislative or regulatory hypodermic needle in the entire field of business and finance. The business fabric as we knew it prior to 1914, has for the moment become a thing of the past. We hear that this nation's earlier principles of free enterprise and local government must be permanently modified; and that the Government at Washington must occupy the throne as the great "All-father" upon whose discretion business enterprise shall more and more depend.

Our common experiences since the collapse of the credit structure in 1929, have greatly fortified centralization of banking control in the hands of various bureaus at Washington. The law insuring bank deposits, the new powers already legally conferred upon the Federal Reserve Board by amendment to the Federal Reserve Act, and the controls now being exercised by the Treasury Department relative to the indebtedness of the Federal Government, are outstanding instances of centralization characteristic of the present time. With what amounts to an absolute independence of the

normal promptings and functions of the 12 regional Federal Reserve banks, the Federal Reserve Board has not only assumed the role of an "equalizer" of money and banking pressures throughout the nation, but is bending every effort towards a unified banking system under complete Federal control. The extent to which this quirk for Federal control has developed, is illustrated in the proposals of the Patman Bill for Government ownership of the 12 Federal Reserve banks.

It is my confirmed conviction that the whole system of banking and monetary control already made effective and possibly to be extended—as proposed in the Patman Bill—is no more potent for good in the business world than is moonshine in the growth of vegetation. On the other hand, from the very inception of the Federal Reserve System I have been a believer in the oft-times demonstrated efficacy of Federal Reserve policies whereby interest and re-discount rates have been adjusted upward, in order to check a too rapid advance in bank credit and prices, and the consequent lack of balance relative to gold settlements with other nations. These simple correctives, whenever wisely used in the past, have had the effect for which they were originally authorized. Time will demonstrate that they alone represent all that is required and all that is desirable, in so far as a central credit policy for this nation is concerned.

The difficulty in our present day thinking is that we have become the victims of false and fatuous theories regarding the relationships which practical banking actually does sustain in our economic life. This statement is made in all seriousness and without a trace of malice or self-interest. Whatever else may be said, it is an inescapable fact that it requires very much more than an advantageous rate for money to

persuade anyone engaged in business as we know business to proceed with courage and confidence. We have predicated the deflation program to so great an extent upon artificially constructed credits that men of a practical turn of mind have little or no basis for confidence that the line can be held for very long. If this be not truth, how then is the present circumstance of general reversal in the business world to be reconciled? Surely we have seen all the "big Berthas" of presumed favorable factors in this respect brought to bear upon the body economic as never before in the history of this or any other nation. Yet we have seen all these expedients turn to ashes almost overnight, at the very moment when President Roosevelt proclaimed their "demonstrated" value.

This is not a mere opinion or casual observation. It is a biting and bitter lesson of history that should wake us up to the fact that these theories of money and credit by which we have permitted ourselves to be guided in recent years are in

large degree spurious and vain. There is no excuse under the shining canopy for going further with the plan of almost absolute control of credit and banking for this nation. The sort of manipulation proposed in the Patman Bill is a will-o'-the-wisp that will lure us into the marshes of hopelessness and eventual disaster. We may give the sponsors of this bill full sanction for their own sincerity of purpose under the circumstances. This is not the question before us. The cardinal point never to be lost sight of is that men having practical experience in business and a realistic understanding of the weight so often given to questions of political expediency under our form of government, are deeply apprehensive of concentrated banking control in its larger phases whether such control be lodged in the hands either of private agencies or of governmental bureaus. Until we shall have found first of all the answer to the question of how those who carry the responsibilities of business will react to the Patman theories, this legislation has all the earmarks of futility.

## The Pace Has Been Too Fast

WINTHROP W. ALDRICH, Chairman, Board of Directors, Chase National Bank, New York, before the INTERNATIONAL CHAMBER OF COMMERCE.

IN his message to the Congress the President says, "that the Congress and the Chief Executive can ill afford to weaken or destroy great reforms which during the past five years have been effected on behalf of the American people," and adds (I quote), "The electorate of America wants no backward steps taken." I am entirely sympathetic with the objectives of many of the reforms to which the President refers. There were abuses in banking and in the security markets. There were abuses in the relations between commercial banking and investment banking.

But I believe that we have gone too far in important respects in the effort to correct abuses in these fields, notably in the regulation of the issue of new securities and in the regulation of the stock market. We have impaired normal functioning in the process of eliminating abnormalities. Our capital market is not functioning adequately.

Moreover, there are other very important instances where even with all sympathy for the objectives, it seems clear to me that we have gone too far or that we have used ill chosen methods. It is one thing to destroy a reform, but it is another thing to re-examine it in the light of its practical workings and to modify it to make it workable.

And I believe that in cases where clear mistakes have been made, as has been shown to be the case with the undistributed profits tax and the high rates in the tax on capital gains, "backward steps" are essential, and frank reversal of policy constitutes progress rather than retrogression.

I might add that reforms which, coming one by one, would be sound and helpful, can generate chaos if they come so quickly that men cannot adjust themselves to all of them simultaneously. I think that nothing is more needed at the present time than a prolonged period of quiet, not a three to six months' breathing spell, but a two or three years' breathing spell, during which both Government and business can consolidate, modify and assimilate what has already been

done, and during which also it will be possible to study quietly the basis of further reform.

One of the most difficult handicaps under which American industry has worked for the past several years has been the immense burden upon the time and energy of business and financial executives in adjusting themselves to the constant shifts of Government policy and attempting to forecast future shifts of policy. A great deal of thought and energy which should have gone into the problems of internal organization of business, of increasing efficiency, of finding markets for goods, of making comprehensive plans for expansion, and of the introduction of new technology, has necessarily gone into the question of what the Government is doing and going to do.

It is not a wholesome business situation when the head of a factory is obliged to spend more time with his lawyers than he spends with his engineers, his treasurer and his sales manager. The architect is very unlikely to get an audience at all under such conditions. And the blueprint of a new invention

### *Danger Points*

IF the country gets the impression that such mild financial measures as the Board of Governors (of the Federal Reserve System) made use of in 1936 and 1937 are responsible for the current business depression, we shall never regain any kind of control of the credit situation and our next credit boom will make the excesses of 1929 look very mild. And if we establish the tradition that with every business reaction it is necessary for us to proceed with heavy governmental expenditure, adding tremendously to public debt, we shall never regain control of our public finances. Both in policy regarding public spending and borrowing and in policy regarding excess reserves we appear to be throwing away all safeguards, removing all brakes, and heading for disaster.—MR. ALDRICH.



which in quieter times would have a chief executive's eager attention, finds itself covered on the executive's desk by legal opinions on the consequences of recent legislation and reports on the prospects of proposed legislation. The pace has been too fast. We must pause, consolidate, modify, at points retreat, and adjust ourselves to the whirlwind changes which have already taken place.

If such a period of pause and quiet could be established, we have in the industries producing capital goods and equipment an immensely promising prospect of private spending.

As I have shown before, we have a vast arrearage in the production of capital goods, deferred maintenance, appalling obsolescence, and a need in many lines for great expansion. If men can look ahead and make far-reaching industrial plans with assurance of stability in Government policy, great capital outlays will inevitably ensue. This will not cost the Government money, but, on the contrary, will create new income out of which the Government will be able to raise additional taxes—which we may devoutly hope will be used to reduce the public debt.

## Each Other's Washing

JOHN T. MADDEN, Dean, New York University School of Commerce, before the ILLINOIS MANUFACTURERS' COSTS ASSOCIATION.

WE all live by taking in each other's washing, and, although this elemental truth is obscured by our modern system of organization and exchange, this truth nevertheless controls the situation. Consequently it will profit the brick-layer nothing to get a high nominal wage, if he does not get work at full time. All discussion is centered on the brick-layer, his hours of labor, his organized union, but never do we think of his work—which is the laundering of your wash bundle and mine.

Someone once said that the difference between a man and a horse was that the latter had horse sense. It may not occur

to the so-called economists who draft laws fixing the price which miners shall receive for their Pennsylvania coals from the citizens of Illinois, that the latter will ultimately have something to say about the matter and that they will charge more for the things which they supply to the miners.

The truth is beginning to reveal itself to the man in the street that neither the 11,000,000 unemployed, nor those who are employed, enjoy as high standard of living as they enjoyed before the period of tinkering with the economic machine.

Labor more generally is aware of the truth that its soul cannot be saved if that of the employer is damned. They are both in the same boat and neither can navigate alone. Government may serve well in holding the tiller, but it cannot man the oars.

## Sharing and Working Together

IRLAND M. BECKMAN, Pennsylvania Secretary of Banking, before the PENNSYLVANIA LEAGUE OF BUILDING AND LOAN ASSOCIATIONS.

THE public must understand—and unfortunately too few do understand—that a building and loan association is a cooperative enterprise and just as the members join in the hope of eventual profits, they must be prepared to share losses.

Borrowers from building and loan associations should be made to realize that they are borrowing from a pool of

nickels, dimes and quarters contributed by men and women of limited means. The loans must be repaid or losses will be suffered by those who can ill afford them.

The people who use an association as a medium for saving should be taught that since building and loan associations invest in long term loans, members cannot withdraw their money at will as bank depositors can withdraw their funds from a checking account.

Mutual organizations depend for their success on the basic principle of sharing and working together for the common good.

## Two F.D.I.C. "Ifs"

LEO T. CROWLEY, Chairman, F.D.I.C., before the BANKERS FORUM, NEW YORK CHAPTER, AMERICAN INSTITUTE OF BANKING.

I KNOW that the rate at which the Corporation's resources are growing leads bankers to ask when they can expect adjustments of some of the items now making up our assessment base, and perhaps, a reduction in the rate of assessment.

I think it likely that certain of the moot points, such as duplicate payment upon deposits of certain types, can be eliminated in the very near future.

As to a reduction in rate, however, an answer in terms of months or years can not be given yet. *If* the Corporation can proceed steadily with its program and *if* bankers will support our efforts and continue to improve the position of their own institutions, I believe that our reserves will, within a few years, have reached a point where a reduced annual assessment income will permit us to take care of current requirements.

I believe that the conditions I enumerate will come to pass. Actual developments, however, are in your hands.

## Thrift—An Art

CARROLL D. EVANS, Vice-president and Director of Agencies for the Fidelity Investment Association of Wheeling, West Virginia, in a talk to the company's sales force.

**N**O longer is the practice of thrift looked upon as a boring chore to be indulged in only as a matter of caution and necessity. Today the accumulation of money for present and future contingencies is considered the smart thing to do.

The experience of the past eight or nine years has given the American public a liberal and valuable education in the art of saving money.

I call it an "art" because so very few people have done it successfully. Perhaps it has been considered something anyone could do—at any convenient time.

The past years have demonstrated beyond doubt that the successful accumulation of money requires a knowledge and experience beyond normal.

## Research Begins at Home

THOMAS C. BOUSHALL, President, Morris Plan Bank of Virginia, before ROANOKE CHAPTER, AMERICAN INSTITUTE OF BANKING.

**W**HILE banking must of necessity for its own direct protection, progress and profit engage in research as to its own methods, services and policies, bankers must also be leaders in research in other fields. Banking, after all, is in one sense a mirror of its own community. What hurts a community hurts banking. What helps a community helps banking. No matter how able, efficient, progressive and alert a bank itself may be, if the community is stagnant or receding, the bank cannot long resist such an infection reaching into its lobby and portfolio.

If the whole country becomes progressively decadent, so will banking. But a country is made up of many communities; and if these communities are made healthy, active, progressive places to live and work and profit, then the entire nation becomes likewise wholesome.

Bankers are natural leaders in their communities, but no leader can succeed without facts and figures about his community and its problems. Thus research is a matter of concern to banking outside the doors of the bank itself. Bankers need to know what is going on in their communities; what is right and what is wrong; what is making for progress and what for recession.

For the future history of America and of a democratic form of government and a capitalistic as opposed to a communistic society in this country is entirely dependent upon the wholesomeness, or lack of it, that prevails in the several individual local communities throughout our nation. If we will band together and courageously set out to solve the local problems of our communities and thus dry up the flow of demands upon a central Congress distant in Washington, we can set our nation again on the glorious road which it has followed these past 150 years.

I believe that if we will all go to work in our local communities to cure the ills that there beset us, we will succeed in far greater degree. The reduction in cost will be unbelievable in comparison to our previous and present methods.

What are these local problems that cumulatively have bogged down our nation and have all but bankrupted our Treasury? Crime, poverty, disease, unemployment, too large

a portion of our people ill fed, ill clothed and ill housed; too little recognition of the rewards of honest effort; too much desire to gain something for nothing; too little regard for the sweat of tomorrow needed to pay the debts of today; too little appreciation of the fact that if the community owes any man a living, he (that man) is a part of that community and must work to provide his part of that living that the community owes him.

There is too much belief among poor communities that rich communities should be taxed to support the poorer group and too little appreciation in the poor communities of the fact that if the same honest effort and hard intelligent energy were expended in the poor community as has been in the rich community, then the poor community would in turn be rich in more things than money alone.

If the principle of local self-support and local pride of individual progress were thoroughly developed with a stigma placed on the communities and their leaders who fail in meeting their simple duties, perhaps an aroused nation would in the several local communities rise and solve these problems. Thus, a Congress composed of successful men, selected from successful communities, would be freed from the harassing problems local to each area. It would be able to grapple successfully with problems applicable to the nation as a whole and problems of world-wide contacts whose solution is in turn intended to improve the protection, progress and profit of the nation as a whole.

If the problem of applying research to the local problem of your community does not rest more upon the banker than upon any other individual or group in the community, I challenge you to tell me upon whom it does rest more positively. Credit and exchange of money, the life blood of commerce, industry, the professions, agriculture, labor, government and education, flows through the channels of banking. The banker is more sensitive to the changes in every phase of a community's activity than any other individual.

He knows better than any one else that the cumulative effect of the unsolved problems in 3,012 counties and 100,000 school districts is too great a tangle for any single human mind or central administration to unravel.

A committee of seven has been formed in my own city seeking earnestly and honestly to deal with local problems looking toward their solution. This committee is seeking to

enlist the whole community in this program. It is seeking to better conditions as to unemployment, dependency, disease and crime. They believe that it is much more their duty to grapple with these problems than it is the Congress of the United States. They are spending thousands of dollars in research as to underlying causes and fundamental remedies of local conditions. Four members are high officers of the banks of the town, and these four bank officials are taking their work seriously, conscientiously and willingly.

I urge you as a banking group to include in your concept

of research the fact that if the bankers of your community will first tabulate the problems that confront it and seek to state these problems (the first step in their solution), you will have begun a program that must in time be developed here and elsewhere. Otherwise, our national problems will never be solved. If you can solve the problems local to your people and your community, others in other communities will do likewise and we will again be able to vision stability and security in a nation that holds more promise for individual reward and individual effort than any other.

## The Pendulum Swings Back

HENRY R. KINSEY, President, Williamsburgh Savings Bank, Brooklyn, before the NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS as Association president.

**T**OO many of our youngsters have got hold of the idea that the Government, or society, or somebody, will look after them. As for opportunity to rise in the world, some ask, "What's the use—I may as well be happy the way I am."

Well, perhaps savings is old-fashioned and maybe I incline that way myself, but the only kind of life worth while that has come under my observation is the life reasonably free from financial care. If our youngsters are going to be content with a do-nothing philosophy, then we are lost. But I hold the contrary conviction. Our civilization has strayed a bit from the path, but we shall find it again. This country of ours still is a stronghold of liberty. We have lost nothing of our fundamental wealth and opportunity. We have the same rivers and plains, the same mines and forests that made us rich beyond the dreams of any other people of any time. Every day science taps new sources of yet greater wealth.

Let us learn to use these things wisely. We hear far too much talk about trying new systems of society, about tearing down the old and the true in favor of the unknown and the untried. But we shall not do that, either. The American people have lost none of their courage or their common sense.

Our principal trouble is a state of confusion. For the first time in our history we are too much governed. Private initiative has not been killed—it has been shaken if not stunned, and finds itself unable to apply its energies in an individual way while struggling against the pressure of collective hostility. Many of our elected representatives have represented us by putting a saddle and bridle upon the public, and doing the riding themselves. This must stop. America is not going to turn over its birthright entirely. We swing from one extreme to another and one of those swings is pretty definitely at an end, with the pendulum going back the other way.

At last we are doing a little thinking and the public will be beginning to make itself felt in governmental affairs. Instead of leaving everything to the politicians, the public is thinking and acting, and I say that this is the healthiest sign of the times. Secondly, the great accumulation of small capital held by our mutual savings banks becomes of paramount importance. Not only does it provide protection for millions of our citizens, it provides the means to capitalize their opportunities of tomorrow. More than that, above everything, it typifies the bedrock character of that multitude of men and women who have strived and denied themselves to win a measure of financial independence. When it is possible for such a host of people to acquire such a large measure of well being, I repeat that this is one of our soundest causes for confidence.

### Question

**W**HERE are we going? All we want is to know. If we knew the worst, whatever it is, it would be better than the present situation.—WALTER A. DRAPER, President, Cincinnati Street Railway Company.

### Sitdowners

**T**HE industrial union in its present form has to depend on force in defiance of law. There are not many places in the United States at the moment where laws can be enforced to control the movement. The technique of the sit-down strikers is identical with that of the syndicalists in Europe. France has finally had to take a stand against them because of the dangers as a political club rather than a social weapon. I feel confident that the United States will eventually take the same stand officially.—WILLIAM S. KNUDSEN, President, General Motors Corporation.

### Estate Planning

**F**ew individuals have the time, ability, equipment or experience to analyze their own estate problems and then to formulate well-founded estate plans.—CORNELIUS J. DONOVAN, Trust Officer, Public National Bank and Trust Company of New York.

# Give Business a Green Light

ORVAL W. ADAMS, President, American Bankers Association, before the KANSAS BANKERS ASSOCIATION.

**T**HERE can be no such thing as confidence in a government which, having a stranglehold on industry and daily demanding for itself more and more power, complains of the strength of industry and pretends to fear that it will grow stronger than the government itself and engulf the nation in fascism.

In order that confidence in government can be restored, favoritism by government must end, and efficiency be brought into government. The National Labor Relations Act must be so amended as to work both ways, to put the employer and the minority employee on an equal footing with the majority employee; to make it possible for the employer to discuss with his employees and for any employee to discuss with his employer, as man to man, their mutual problems; to make it possible for the employer to appear before the board administering this act without fear and trembling; to make it possible for the employer to conduct his business according to his judgment of what is necessary and proper, without fear of some day awakening to find himself burdened with a ruinous bill for services never performed. Likewise, such fiascos as the establishment of prices under the Guffey Act, without regard to law or the rights of interested parties, must not recur; some judgment must be used in the selection of the President's other selves, the men who head the great administrative boards.

The Social Security Act must be amended to do away with the deception upon employee and the prohibitive cost to employer and employee.

There must be an end to the attempts to bring about abundance through the restriction of production, of the regulation of agriculture, of the ideas which underlay the killing of pigs and the plowing under of crops, in whatever new form expressed. The lesson of lost markets learned at painful expense, a lesson which any Brazilian could have taught us without such expense, must not again be forgotten.

We have experienced the temporary and short-lived benefits of Government spending, benefits comparable to those realized by any family which, looking only to the present and forgetting the future, splurges on borrowed money. We have developed a condition of bloat which we have mistaken for health. We must suffer the pains incident to getting back to health.

Though for the present the undistributed profits tax has done most of the harm of which it is capable, it must be repealed and prevented from again doing such harm. The capital gains tax, if it is to be retained at all, must be amended to take some account of actualities, to constitute a revenue measure, and not a mere brake upon business.

And if these things are to be brought about, we must not be deterred by any fear of being charged with partisanship

from speaking our mind about them. That which is vital to the very continuance of this nation cannot be classed as within the sacred sphere of partisan politics about which no businessman is permitted to express his views.

This is as critical a period in our history as was either that of the Revolution or the War of the States. We have been traveling in the wrong direction; we must get back on the right road. Unless we do we shall risk not only our national solvency and the credit of the Government, but also the gravest economic and social convulsion conceivable. We can still save the situation, but in order to do so we must, for the time being, sink all personal differences, forget all political considerations, and think in terms only of our country and the welfare of all its people. The crisis is so serious, the consequences so grave, as to transcend personalities and any thought of partisan advantage.

We must begin now to save what is left of the country's credit and resources; to tax and economize and balance our budget, as they have done in England. Otherwise the thrifty and the industrious and all of those who have accumulated anything in this country will suffer the ravages of inflation or the demoralization of repudiation, and nothing will remain with which to help the so-called underprivileged. Such a result must be avoided at all hazard.

But not only must we save what is left of material resources. Even more important is it to save what is left of the old spirit of self-reliance, courage, and initiative which characterized those hardy pioneers who laid the foundations of this commonwealth. We must save and preserve inviolate the purity and freedom of the ballot, and must at all cost avoid a bought or debauched electorate. We must save and preserve the government established by the founding fathers—a government of checks and balances, with the executive, the courts, and the Congress each acting as equal coordinate branches of government with perfect freedom and without coercion. We must save and preserve the civil service system. And we must avoid either a debauched or an outright political party system of public works. We must save and preserve the daring, initiative, and free enterprise once enjoyed by American business. We must rescue business from the dominance and competition of government.

The way to recovery is not through more spending and pump priming, but through emancipating business and giving it the opportunity to go forward without continued governmental interference. Let there be a clear and ringing declaration that the road ahead for business is clear and that governmental obstruction, fault-finding, and denunciation is definitely at an end and this country will again surge forward. Such a declaration will do infinitely more for recovery than any amount of further pump priming. Pump priming cannot help while government is still hamstringing away and obstructing business—the very pump it is trying to prime.

## Links

**I**NDUSTRY is a revolving chain, every strong link in which helps the whole wheel to go around.—THOMAS N. McCARTER, President, Public Service Corporation of New Jersey.



## Modernized Regulation

MARRINER S. ECCLES, Chairman, Federal Reserve, before the NEW JERSEY BANKERS ASSOCIATION.

**B**ANKS can assist in restoring prosperity by affording every possible constructive aid to the revival of sound private financing, and in adapting the lending functions of the banking system to present-day conditions.

Federal and state bank examination policies, as well as the Comptroller's regulation governing investment policy, need to be brought into conformity with changed conditions and modern requirements of

business and industry. Bankers cannot justly be held responsible for such restrictive governmental banking policies as confuse soundness with liquidity or true worth with current depressed market value.

I favor modernization of these practices and regulations, to encourage the bankers to meet changed conditions and needs within their own communities, and thus to discourage the alternative which is multiplication of governmental agencies set up to provide credit accommodation that the banking community could and should in normal times be adapted to extend to the public.

## Commercial Banking Prospects

W. F. GEPHART, Vice-president, First National Bank in St. Louis, before the MISSOURI BANKERS ASSOCIATION.

**O**VER several decades preceding the period of depression the earnings on bank loans averaged around 6 per cent and investments averaged about 5 per cent. But during the past several years, the returns on both loans and investments have been much less. Loans are now yielding on an average about 4 per cent and investments from 2 to 2½ per cent. Commercial bank loans have declined from about 75 per cent of earning assets to about 45 per cent, while investments have increased from about 25 per cent until at present they are about 55 per cent. Bank loans have become a secondary source of earnings and not only is this in itself a serious factor, but generally speaking, very few banks are equipped in their official staff to handle efficiently investment portfolios, from which they are now deriving a much larger part of their income.

Even more discouraging is the additional fact that there is no present prospect even if business recovery occurs that commercial loans will in the near future play the important rôle that they once did in the commercial banking business. This is true not only because of the competition of other financial agencies, government and private, but also because of the change in the character of American business, requiring less commercial bank credit to conduct it and the further fact that many corporations, through financing in the investment market, have less need for commercial bank credit.

In view of the record made by commercial banks in the past two years from what might be termed ordinary operations, the seriousness of the present situation is at once apparent. Had it not been that nearly every bank was able to secure recoveries on assets previously charged off, bank earnings would have been practically negligible so far as the aggregate of all banks is concerned. Fundamentally, it would appear that this situation is due to the arbitrary controls exercised over money rates by governmental and Federal banking agencies.

The following tentative conclusions may be suggested:

1. Interest rates will probably not materially increase for some time; first, because of the accumulated capital awaiting investment, and second, because of the powerful and various

kinds of control that government has over money, credit, and banking, and third, because of the competition of private and governmental financial agencies.

2. There are doubtless many bankers who assume that when we have real business recovery, our commercial bank loans will return to the high level of the 20's. This will probably not be true because: many corporations financed themselves through the investment market; many are in a strong cash position; increased competition from Government lending agencies as well as private agencies; and lastly the changes in business which make it possible to do a greater volume of business on a dollar basis than was true in the earlier period.

3. Either commercial banks must find new sources for the use of their funds or the number of the units of commercial banking will decrease.

4. Commercial bankers must better equip themselves to handle their investment portfolios. The evidence indicates that commercial loans for some time to come will be much less than they have been in the last 25 years.

5. Every effort must be made to reduce costs of operation.

6. There is some evidence that some bankers are making a mistake similar to that which they made in the 1920's. In that period, it will be recalled, cut-throat competition for deposits led to the payment of such high interest rates on deposits that this became one of the most important single costs of banking. In the end, this practice led to such evils that the Government interfered and prohibited the payment of interest on demand deposits altogether. Today, under the pressure of idle funds and Government influence, competition for loans and investments has driven interest rates to a point where in many cases they do not even cover the ordinary operating expenses involved. Will it be necessary for government again to step into the situation and subject an already over-regulated business to more detailed supervision? Competition in banking as well as in other businesses has its place, but when it becomes of a cut-throat character and forces prices below operating costs, then it becomes suicidal. It is high time for bankers, individually and in their associations, to give this important matter the attention it deserves. If this and similar abuses are not corrected by business men and bankers we should not complain too much if the Government does the job for us.

# How Much Corn to Run Our Cars?

HARRY E. BARNARD, Technical Director, National Farm Chemurgic Council, before the MIDDLE ATLANTIC DIVISION, ASSOCIATION OF BANK WOMEN.

**F**ARM chemurgy, liberally translated, means putting chemistry and related sciences to work in industry for the farmer, and indirectly, for society in general. "Chemurgy" is a coined word from the Egyptian "chemi" (origin of chemistry) and the Greek word "ergon," meaning work.

A few years ago a very brilliant scientist, William J. Hale, wrote a book which he called "The Farm Chemurgic." Within a year, those who read the book and caught the vision it told, decided something should be done to crystallize the word "chemurgy" into definite action. So in May 1935, a group of men came to Dearborn, as guests of Henry Ford and the president of the Chemical Foundation of New York, and listened to a discussion of many things which had to do with the movement.

In the group were farm leaders, leading industrialists, bankers and railroad men and of course a lot of men who were working in chemistry, physics and other sciences. At that meeting so many things were discussed which pointed to possibilities of bringing the farmer and industrialist closer together that it was decided to organize a chemurgic movement. In three years time the idea of going to the land to use crops in industry instead of going to the mines and the oil deposits, where the treasures are stored up for this generation and those after us, has taken an amazing hold.

Congress recently passed an act appropriating \$4,000,000 for the establishment and maintenance of four great regional laboratories to discover new ways to use these annual crops in industry. A dollar invested today in scientific research and work will do more good for us and our children than thousands of dollars spent year after year for relief for the farmers when their crops fail or when they can not dispose of their products.

The state experiment station, well organized, equipped with splendid laboratories, is in a position now not to produce two blades of grass where one grew before but to find a new use for that second blade of grass. Our work is devoted to stimulating the desire of experiment stations and chemists to find new uses for old crops and new crops to replace old and useless ones.

When we break crops down chemically we find they are constituted of cellulose (from cotton, hemp), sugars and starches (from grains, corn, white rice, barley), fats or oils (from cotton seed, peanuts, etc.) and proteins (from soy bean, corn). These are the raw materials with which the chemists work.

In a good corn year our farmers grow some 2,500,000,000 bushels of corn and every bushel contains more than 30 pounds of starch. That is a lot of starch. But most of it never leaves the farm where it was grown. It is manufactured in 5,000,000 barnyards into pork or dairy products, and if there is still a horse about the place, into power with which to plow more land to grow more corn. However, some 15 per cent of the crop goes into a whole series of alcohols, some of them potable, but for the most part only valuable as solvents, and into a long list of starches and dextrans, syrups and sugars, lactic and other organic acids.

Cornstarch is the basic material essential in a great num-

ber of industries and will become equally important in others. More than 30 industries use starch in one form or another, and new uses are constantly being found. The industrial chemist thinks of cornstarch as one of his most important raw materials. From it he is making products for a great variety of industrial needs that are of far greater value than corn has ever had on the farm.

The use of corn sugar or dextrose is increasing rapidly. Chemically, it is as good a food as cane or beet sugar. Ten years ago this sugar was worth a dollar a pound. It is the sugar of the blood and is now used in medical practice in large tonnages.

Within the last two or three years the conversion plants that are devoting their capital, research departments and equipment to the conversion of corn into a great variety of things, have been bringing about new products. The protein content of corn was always known to the farmer. Now chemists are taking corn gluten, calling it corn protein and are doing extraordinary things with it. It is a plastic material which can be made into filaments and spun and woven. It is finding new uses in the electrical industry as coating for wire and for cable insulation. In other words the farmers' corn crop is going into industry for uses which no one dreamed about five years ago.

Starches usually ferment into alcohol. The distillation of beverages from corn and rye has been going on for years. A new way of helping the farmer to get rid of his surplus corn crop might be to burn it in an automobile in the form of alcohol. A few years ago the Chemical Foundation, which was organized at the close of the war, decided something should be done with the excess crops of the farmer, so a lot of research work has been carried on in this field of fermentation and an alcohol plant has been operated in Kansas for making motor fuel 90 per cent gasoline and 10 per cent alcohol. It used corn, but when corn was expensive they devoted the plant to experimental work by making alcohol out of oats, barley and kaffir corn now grown in Kansas, Nebraska and Texas. They also used sweet potatoes and white potatoes, and from every kind of a crop which contained starches and sugar they figured what it cost to make a gallon of alcohol. Their object was to find a fuel to replace gasoline, and thus save the oil that some day will be exhausted, as well as give the farmer an opportunity to utilize his crop.

If we are putting 10 per cent alcohol made from corn with 90 per cent gasoline, how much corn would it take to keep our cars running? It would be about 800,000,000 bushels, which is one-third of the annual corn crop. The use of corn for that purpose would relieve the farmer from the fear of low prices and insure him a good price for his most important crop.

Perhaps one of the things of most interest is the conversion of a tree into paper. Paper is a cellulose material which is a farm crop. The pulp and paper manufacturer thought he could not make pulp or paper out of anything but spruce and pine. When these trees became expensive he went to Canada and Sweden for his materials. At the present time this country is using 12,000,000 tons of wood pulp every year. Authorities say if business is good and progress continues that by 1950 we will be using 25,000,000 tons of wood pulp each year in the manufacture of paper.

Conversion of that wood into pulp and the manufacture of paper interested those who were concerned in utilizing our own crops for materials to be used at home and doing the converting with our own labor. They were interested in using the products of the acres in our own country rather than going abroad for wood pulp. In looking around they saw down in the South large acreages of slashed pine that is tapped for turpentine and grows whenever the farmer stops planting cotton. They tried to see if something could be done with this pitchy pine. Within the last two years, research work started six years ago at Savannah has proved the practicability of producing satisfactory pulp for kraft

and newspaper pulp out of the southern pine. Already \$100,000,000 has gone out of New York into the South for the building of these new pulp and paper plants.

The development of this industry is one of the most important things that has happened in the South in generations. It is the best answer to the difficult problem of what to do with the land that was devoted to cotton; and how to support a population that is just hanging on but in some way must be provided with work; how to use the millions of acres in the South which are not fertile because they have been worn out by the continuous growing of cotton for many years.

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## Money Management by Fiat

HERBERT F. BOETTNER, Vice-president, First National Bank in St. Louis, before the ROTARY INTERNATIONAL CONFERENCE.

It is now rather generally agreed that until economic, political, and social conditions in a number of the important international trading countries reach a fair degree of equilibrium on a trade and capital basis, international monetary stabilization cannot be seriously considered.

Before the war, when a fair degree of equilibrium existed, operations of the gold standard checked slight departures from balance. In the post-war period, however, economic balance not only between countries but within their own domestic economy was so unstable and precarious and there appeared such abnormal gold movements due to non-trade factors, as a result of fear and political unsettlement, that the country, either gaining gold or losing gold, found itself subjected to readjustments that often proved unendurable. Consequently, a return to fixed parities under existing conditions was abandoned in favor of efforts to meet specific domestic problems by adopting a policy of domestic managed money.

This policy involves the use of inconvertible paper currencies and the sacrifice of the external stability of a country's currency in the hope of securing a degree of internal monetary stability through the use of a system of politically managed money. The new monetary technique, both in the domestic and the international field, that this policy has developed, constitutes an interesting phase of recent financial history.

The year 1931 marks one of the important milestones in monetary history. That year witnessed not only the end of the old international gold standard in England and the beginning of a new international monetary technique, but also the definite political utilization of monetary policy as an economic specific. The use of monetary policy as a means of exercising control over the course of economic events had long been advanced by numerous theorists.

Following the abandonment of the gold standard by England, managed money and the use of monetary policy as a vital factor in the exercise of a planned economy left the realm of theory and became an accepted practice. Whether this marked a step forward or backward only the future can tell. The so-called abandonment of the gold standard does not mean that gold has lost its old importance to the extent that the statements of some would appear to indicate. Gold still plays an important role in the workings of currency systems nominally divorced from gold, and there is no warrant for the view that such currency systems have abandoned gold as an ultimate standard.

The need for a sound standard of value is as great today as ever before, and as yet man has not been able to design a standard capable of commanding the confidence reposed in gold. The practical exchange value of goods cannot, under these circumstances, be altered by changing the paper price of gold any more than the size of the earth could be extended by reducing the number of feet in a mile. The present attempt to manage money, prices and the exchange value of goods by governmental fiat is not promising on the basis of historical precedent.

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## Profit Motive

WE must outdo ourselves to serve in these times, to look at all the problems that confront us objectively, with all the intellectual honesty we can, and not plead causes that possess selfish interests. The profit motive, as I see it, is very different from the selfish interest motive. The profit motive must be given an opportunity to work if this country is not going to go on and on until it reaches a condition of chaos. If we fight on the basis of special interest, we are not going to get a hearing, we are not going to make progress; and I am not sure, on that basis, how much progress we ought to be allowed to make.—FRANCIS E. FROTHINGHAM, President, Investment Bankers Association of America.

# Central Banking in Abnormal Times

M. S. SZYMCAK, Member, Board of Governors, Federal Reserve System, before the WISCONSIN BANKERS ASSOCIATION.

**I**N recent years two conditions have made it difficult to observe the central banking powers of the Federal Reserve banks in normal operation. One is the enormous volume of reserve funds that have come into the possession of American banks as a result of the inflow of gold into this country from abroad. The other is the reluctance of you bankers to borrow. Taken together these two things mean that at present bankers have relatively little occasion to use the lending facilities of the Federal Reserve banks and abstain as much as possible from using them even when there is occasion.

Under normal conditions of central bank operation this will not be true. Banks will have ample reserves to meet an active but essentially stable credit demand but they will have no great excess of reserves; their funds will be employed and turning over efficiently and profitably. When on occasion there are seasonal or other legitimate increases in the demand for credit, the reserve funds available to meet the increased demand will be enlarged by central bank action—funds will be lent to individual banks or open market purchases of securities will be made. When the seasonable demand has passed, the additional funds will disappear—securities or bills will be sold in the open market and the member bank borrowings will be paid off.

Such recourse to the central banking organization should be regarded as normal and desirable. When the legitimate

seasonal requirements of a given community are in excess of the local supply of funds, it is proper that the banks concerned should turn to the central banking organization for additional funds. At such times it is no reflection upon a bank that it is indebted to the Federal Reserve bank. On the contrary, it is evidence that the bank is making normal and proper use of the institutions established for the purpose of enabling it at all times to meet the legitimate credit needs of its customers. Such recourse to the Federal Reserve bank will, of course, be seasonal and occasional. It will not mean that the bank in question is embarrassed any more than the seasonal borrowings of a merchant or a farmer are signs of embarrassment.

But, as I have said, conditions prevailing in recent years have given little opportunity for what we think of in principle as the normal and typical working of central bank functions. The volume of discounts has remained small, the inflow of gold has lessened the need for open market purchases, and at the same time occasion has not arisen for open market sales of securities. Instead, the System has had to be preoccupied with the problems presented by abnormal conditions—notably, of course, the state of business activity prevailing in recent years and the immense expansion of bank reserves resulting from increases in the gold stock. In this situation the System has sought on the one hand to maintain the easy money policy which it believed was called for by the economic condition of the country and on the other hand to maintain the effectiveness of the normal powers of credit regulation entrusted to it by Congress.

## Better Internal Systems

FRED C. KELLOGG, Chief, Division of Liquidation, F.D.I.C., before the WISCONSIN BANKING CONFERENCE.

**M**ANY institutions have overhauled their internal organizations with a consequent increase in efficiency and reduction of expense. A great deal of commendable improvement has been made in recent years in respect to internal systems, but much remains to be done along this line. I have a very strong feeling on this question and especially when I learn of the difficulties encountered by our field men in trying to determine the situation in some of our closed banks. It is a mystery to me how some bankers have been able to conduct their businesses as long as they have without trouble.

Many losses can be prevented only by proper internal systems of check and control. The installation of such a system is possible in a bank of any size and is not so costly an investment as is generally believed. As a matter of fact, proper

internal systems will pay for themselves not only by minimizing the chances for loss through dishonesty, but also by facilitating the administration and the examination of banks. Conceivably, fidelity and surety premium rates may some day be put on a merit basis. This possibility furnishes another incentive for improvement of internal systems.

I believe that most of the existing inadequacies of bank accounting systems result from carelessness. Because bank accounting is fundamentally so simple, many banks have not regarded it with sufficient seriousness. I urge that you review the internal system now used by your bank and that you undertake immediately the additions or revisions necessary to make that system a proper administrative tool and an effective preventive of dishonesty on the part of bank officers and employees.

It is our experience that the banking institutions which have good internal systems are almost invariably well managed in other respects.

## Health

**T**HE country is enjoying extraordinarily good health. The public health campaign and medical programs have given us wonderful results.—Dr. CHARLES L. CHRISTIERNIN, Medical Director, Metropolitan Life Insurance Company.



## Costs of Municipal Services

JOHN S. LINEN, Second Vice-president, Chase National Bank, New York, and Chairman, Municipal Securities Commission, I.B.A., before the AMERICAN INSTITUTE OF ACCOUNTANTS.

THERE is a wide interest today in the economy of government and the value delivered by administrative bodies for the taxpayers' dollar that is assessed and collected. We know that some municipalities are able to render satisfactory municipal services for approximately half the cost that other comparable municipalities must pay. This is done without any apparent denial of essential services nor is it necessary in the more economically operated unit to reduce salaries or wages below reasonable limits.

Recognizing that there may be a great variance of condi-

tions applying between different municipalities, it nevertheless seems reasonable to expect that some formula can be devised which will be helpful in determining what constitutes fair costs for specific services rendered. While such a formula would be neither exact nor conclusive, it should be valuable as applied to different services in ascertaining where extravagance or unnecessary expenditures are being made and would serve as a basis for recommendations which might make possible substantial economies in local government.

Such a study might go far in exploring the field even to the extent of reviewing the different types of government, such as the city manager vs. the city commission form of government, but the factual information that might be developed should prove of great value to citizens and taxpayers generally.

## For the Country's Good

C. S. CHING, Director of Industrial and Public Relations, United States Rubber Products, Inc., before the U. S. CHAMBER OF COMMERCE.

WE deplore the way in which industry is hampered by inflexible provisions which are imposed upon it by legislation. If history repeats itself, it is only a matter of time before the political forces will attempt to place shackles on organized labor and labor generally.

If industry persists in its attempt to put handcuffs

and leg irons on organized labor, and organized labor goes along with the politicians to put more shackles on industry, some of these days we will both find ourselves where neither one of us can do anything but spit at each other and the politician will stand by and laugh at both of us.

Isn't it about time that organized labor and industry sat down together to discuss their mutual problems, and then tell their representatives in Congress what they both believe would be for the best interests of our country?

## Cure

AMERICAN crime begins in the home. The only way it can be cured is by a re-establishment of respect for law by the heads of our homes. More than 18 per cent of all our crime is being committed by youths of 21 years or less.—J. EDGAR HOOVER, Director, Federal Bureau of Investigation.

## "The Just Judge"

THE multiplication of administrative agencies is the outstanding characteristic of our time. The controversies within the range of administrative action may be different and extremely important, and they may call for a particular type of experience and special methods of inquiry, but the spirit which should animate that action, if the administrative authority is to be properly exercised, must be the spirit of the just judge.—Chief Justice CHARLES E. HUGHES.

## Liquidity

IF a realistic view of country banking is taken, it must be conceded that any policy which does not afford a hedge, at least to some extent, against changing money rates and fluctuating credit conditions is open to severe criticism. This being true, it would seem logical for the public to expect bankers to formulate an investment policy which would permit execution of a program in which true liquidity exists in spite of changing credit conditions and/or interest rates. Therefore, bankers should adopt as integral parts of their investment policy the principles of diversification of risk with respect to quality and maturity.—Professor LAURENCE R. LUNDEN, University of Minnesota.

**P**EOPLE who buy — or refrain from buying—rather than they who build automobiles, decide the question of output for the motor industry.

In banking your depositors determine the activity of your institution. You may, if you will, choose your clientele, but you cannot control their needs.

It is the service required by, and here provided for, a large and discriminating circle of outstanding correspondents and other customers that have made this a great bank.

... THE ...

## **PHILADELPHIA NATIONAL BANK**

ORGANIZED 1893

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Capital and Surplus . . . \$30,000,000

*Member of Federal Deposit Insurance Corporation*

## How to Help the Railroads

HENRY BRUERE, President, the Bowery Savings Bank, New York, before the NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS.

**T**HERE is a diversity of opinion among investors as to whether railroad reorganizations should be immediately consummated in the light of the present earnings. Some investors feel that these reorganizations should not be pushed until there has been a clarification of the situation from the standpoint of the earning capacity of the various properties. On the contrary, others feel that reorganizations should be expedited and that capital structures should be pared down so that they would be supported by any probable future earning capacity. On this latter theory they should be put through frankly on the basis that insofar as the junior interests are concerned nothing is left for them except a hope that earnings might return to pre-depression levels and the securities, if any, in the reorganized company should be issued to them on that basis.

### OVER-REGULATION

THE railroads have been and are suffering from over-regulation. The Interstate Commerce Commission has had too detached a view and its attempt to serve all interests and to be judiciously aloof is destroying the initiative and economic flexibility of the railroads. The railroads have been so regulated that it has been impossible for them to operate their business most efficiently. They have been for years seeking equality of regulation with competing agencies, cessation of competition by the Government, liberalization of the "long and short haul" clause, and elimination of unduly restrictive labor provisions.

Congress and the regulatory bodies have failed to recognize the fundamental change in the railroad situation. They are no longer monopolistic but now must face competition from other forms of transportation. The railroads have little to say about the wages they must pay and have little to say about the rates which they can charge. Regulation must be adapted to meet these changed conditions.

Better earnings will undoubtedly result from better business which must come, but the prospects for a recovery

of traffic should not deter other constructive steps. Every rational opportunity to coordinate and consolidate facilities and practices wherever there is a prospect of saving money should be embraced. But more important, Government agencies and labor officials must recognize the situation and face it realistically by permitting the railroads to receive reasonable compensation for their services and by permitting them to adjust wages where necessary and eliminate burdensome regulations.

## Free to Consult Abroad

WALTER LICHTENSTEIN, Vice-president, First National Bank of Chicago, before the PACIFIC-NORTHWEST CONFERENCE ON BANKING.

I BELIEVE the decision as to whether ultimately dictatorships or freer forms of government are to prevail in the civilized world will depend to a very large extent upon this country. I agree entirely with the address delivered by Secretary of State Hull before the National Press Club in Washington in which he pointed out that, while we shall not ally ourselves with foreign countries, we shall feel free to consult with other nations, whose aims are identical with ours, as to methods of procedure.

Mr. Hull said, "We are fully determined to avoid the extremes either of internationalism or of isolationism. Internationalism would mean undesirable political involvements; isolationism would either compel us to confine all activities of our people within our own frontiers, with incalculable injury to the standard of living and the general welfare of our people, or else expose our nationals and our legitimate interests abroad to injustice or outrage wherever lawless conditions arise."

Without actually entering into entangling alliances, it is obviously to our interest that dictatorships with their desire toward economic self-sufficiency should not gain control in the major portion of the world.

I say this is to our own interest, because from what Secretary Hull said, in the address referred to, it is clear that we cannot maintain our standard of living if international trade is more curtailed than at present.

# \$100 Worth *of Insurance, please . . .*

**T**HAT'S the way thousands of men buy insurance. Sounds simple, doesn't it? But insurance against what? How will it be paid?

There is one man who reads insurance policies with interest and understanding. He is the experienced insurance agent. He knows exactly what he is buying for you. Insurance against what—and when and how it will be paid. And when a loss occurs, he is your representative.

Insurance that minimizes the agent's function may lessen your protection, your service. Insurance is dollar protection. There are no cut-rate dollars for sale.

Let an experienced agent take a look at your business from an insurance point of view. Like a check-up by your family doctor, it can do no harm—may save your business life.

**NATIONAL SURETY CORPORATION**

VINCENT CULLEN, *President*

# PACIFIC GAS AND ELECTRIC COMPANY

SAN FRANCISCO, CALIFORNIA

The properties of the Company and its subsidiaries constitute an interconnected system, located entirely within the State of California and operated by a single management. For the past twenty-six years operations have been subject to regulation by the California State Railroad Commission.

The Company operates electric generating plants having an installed capacity of 1,676,902 horsepower and is one of the largest producers and distributors of electricity in the United States. It also ranks among the major distributors of natural gas in the country. On March 31, 1938, electric customers numbered 842,126, gas customers 594,064 and water and steam customers 11,673.

In the year ended March 31, 1938, 69.7% of operating revenues were derived from sales of electric energy, 29.0% from sales of gas, and 1.3% from minor activities. The well diversified character of the Company's business tends to stabilize earnings and also to permit of economical operation.

## SUMMARY OF CONSOLIDATED INCOME AND DIVIDENDS ON CAPITAL STOCKS

	12 Months to Mar. 31, 1938	12 Months to Mar. 31, 1937
Gross Revenue, including Miscellaneous Income - - - - -	\$101,086,100	\$97,372,420
Operating Expenses, Taxes (except Federal income taxes) and Provision for Depreciation, Insurance, Casualties, Uncollectible Accounts and Pensions - -	60,491,040	55,573,083
Gross Income - - - - -	\$ 40,595,060	\$41,799,337
Bond and Other Interest, Discount and Other Income Deductions - - - -	12,217,497	14,468,237
Net Income before Provision for Federal Income Tax - - - - -	\$ 28,377,563	\$27,331,100
Provision for Federal Income Tax - - - - -	3,620,809	1,912,065
Net Income to Surplus - - - - -	\$ 24,756,754	\$25,419,035
Provision for Gas Revenue in Dispute - - - - -	-----	217,000
Balance before Dividends - - - - -	\$ 24,756,754	\$25,202,035
Dividends of Subsidiaries on Capital Stocks held by Public, etc. - - - -	247,149	246,419
Remainder—Applicable to Pacific Gas and Electric Company - - - -	\$ 24,509,605	\$24,955,616
Dividends on Preferred Stock - - - - -	7,708,491	7,708,478
Remainder—Applicable to Common Stock - - - - -	\$ 16,801,114	\$17,247,138
Number of Full Shares of Common Stock outstanding at end of period - -	6,261,270	6,261,269
Earned per Share of Common Stock - - - - -	\$2.68	\$2.76

## RECORD OF RECENT GROWTH

Year Ended Dec. 31	Gross Operating Revenue	Sales of Electricity K.W.H.	Sales of Gas Cubic Feet	Number of Stockholders
1930 - - - - -	\$ 85,633,141	3,289,255,000	23,078,036,000	67,430
1931 - - - - -	87,630,661	3,351,310,000	29,431,022,000	84,705
1932 - - - - -	85,058,617	2,931,485,000	34,594,302,000	95,483
1933 - - - - -	84,596,084	2,940,605,000	39,802,857,000	96,824
1934 - - - - -	87,555,480	3,269,116,000	41,074,683,000	96,225
1935 - - - - -	92,084,934	3,303,312,000	48,686,774,000	92,670
1936 - - - - -	95,333,336	3,696,378,000	53,439,510,000	90,263
1937 - - - - -	100,443,116	3,935,803,000	59,531,331,000	92,704

## BOARD OF DIRECTORS

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Copies of Annual Report may be obtained on application to D. H. Foote, Vice-President and Secretary-Treasurer,  
245 Market Street, San Francisco, California



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